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COMMITTEE ON THE WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES

(2006-2007)

(FOURTEENTH LOK SABHA)

TWENTY-SECOND REPORT

ON

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS – BANKING DIVISION)

Reserve Bank of India – Credit Facilities provided by the Nationalised Banks to the Scheduled Castes and Scheduled Tribes.

Presented to Lok Sabha on 27.4.2007

Laid in Rajya Sabha on 27.4.2007

LOK SABHA SECRETARIAT
NEW DELHI

April, 2007/Vaisakha, 1929 (Saka)

CONTENTS

		Page
COMPOSITION OF THE COMMITTEE		(iii)
INTRODUCTION		(iv)
CHAPTER I		
A.	Background	1
B.	Organisational set-up	5
	(i) Ministry of Finance	
	(ii) Reserve Bank of India	
C.	Board of Directors	7
	(i) Reserve Bank of India	
	(ii) Nationalised Banks	
CHAPTER II		
A.	Flow of credit to Scheduled Castes and Scheduled Tribes	
	(i) Role of Reserve Bank of India	14
	(ii) Role of Banks	29
	(i) Role of SC/ST Development Corporations	36
CHAPTER III		
A.	Poverty Alleviation and Employment Generation Programmes	41
B.	Evaluation of Schemes	46
C.	Monitoring and review	52
CHAPTER IV		
A.	Publicity and awareness	63
B.	Training	65

APPENDICES

A.	Ministry of Finance, Department of Economic Affairs (Banking Division)letter No. 9/27/2004-B.O.I. dated the 25th February, 2005.	69
B.	Minutes of the 2nd Sitting of the Committee on the Welfare of Scheduled Castes and Scheduled Tribes held on 09.06.2005.	71
C.	Minutes of the 3rd Sitting of the Committee on the Welfare of Scheduled Castes and Scheduled Tribes held on 18.07.2005.	74
D.	Minutes of the 13th Sitting of the Committee on the Welfare of Scheduled Castes and Scheduled Tribes held on 12.03.2007.	77
E.	Summary of conclusions/recommendations	79

COMPOSITION OF THE COMMITTEE ON THE WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES (2006-2007)

Shri Ratilal Kalidas Varma - Chairman

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3. Shri S. Ajaya Kumar
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4.	Ms. J.C. Namchyo	-	Deputy Secretary
5.	Smt. Maya Lingi	-	Under Secretary

INTRODUCTION

I, the Chairman, Committee on the Welfare of Scheduled Castes and Scheduled Tribes having been authorised by the Committee to finalise and submit the report on their behalf, present this Twenty-second Report (Fourteenth Lok Sabha) on the Ministry of Finance (Department of Economic Affairs - Banking Division) on the subject "Reserve Bank of India – Credit facilities provided by the Nationalised Banks to the Scheduled Castes and Scheduled Tribes".

2. The Committee took evidence of the representatives of the Ministry of Finance (Department of Economic Affairs - Banking Division) and the Reserve Bank of India on the 9th June, 2005 and the 18th July, 2005. The Committee wish to express their thanks to the officers of the Ministry of Finance (Department of Economic Affairs - Banking Division) and the Reserve Bank of India for placing before the Committee the material and information the Committee required in connection with examination of the subject.

3. The Report was considered and adopted by the Committee on the 12th March, 2007.

4. A summary of conclusions/recommendations contained in the Report is appended (Appendix).

(RATILAL KALIDAS VARMA)
CHAIRMAN
Committee on the Welfare
of Scheduled Castes and
Scheduled Tribes

NEW DELHI;
26th April, 2007
6 Vaisakha, 1929 (Saka)

CHAPTER - I

A. Background

1.1 Economic development is the foundation stone of poverty reduction. Discussion about poverty have of late focused on direct poverty interventions such as policies, programmes designed to uplift the poor and socially marginalized. Every Government endlessly focuses to address this issue. Dr. B. R. Ambedkar on economy said:

> "We must be prepared for the revaluation of the value. It will not be enough to make industrial development of India as a goal, we shall have to agree that any such industrial development shall be maintained at a socially desirable level. It will not be enough to bend our energies for the production of more wealth in India. We shall have to agree not merely to recognize the basic right of all Indians to share in that wealth as a means of decent and dignified existence, but devise ways and means to ensure them against insecurity".

1.2 His statement has been reflected in Article 46 of the Constitution adopted by the Indian Union that lays down:

> "The State shall promote with special care the educational and economic interests of the weaker sections of the people, and in particular, of the Scheduled Castes and the Scheduled Tribes, and shall protect them from social injustice and all forms of exploitation".

1.3 The idea is clear to achieve socio-economic equality and equal distribution of resources among all classes. However, even after 58 years of Independence, India has a substantial number of poor people living in

the country of more than 1 billion inhabitants. As per estimate, over 260 million people live below poverty line. The percentage of people living below poverty line in rural India is much higher than in urban areas. More than 35 per cent of the population is illiterate, which comprises particularly women, tribals and Scheduled Caste people.

1.4 The percentage of Scheduled Castes and Scheduled Tribes to the total population living below poverty line as per the figures quoted in the Tenth Five Year Plan period (2002-07) is reproduced below:-

Year	Total		SC		ST	
	Rural	Urban	Rural	Urban	Rural	Urban
1993-94	37.27	32.38	48.11	49.48	51.94	41.14
1999-00	27.09	23.62	36.62	38.47	45.86	34.75

1.5 The speech given by Shri Somnath Chatterjee, Hon'ble Speaker, Lok Sabha during the First Session of 14th Lok Sabha also depicts similar view points in which he had stated:

> "As a strong integrating force in the country this House……..will be called upon to resolve the various socio-political and economic problems…….. But even after more than five decades of Independence, a very substantial number of our people still face awesome problems and do not enjoy even the minimum rights, which the Constitution granted. Abysmal poverty, illiteracy……..lack of job opportunities, amongst others, are the problems which still haunt the common people and resulted in effective denial of the constitutional and indeed the basic human rights to our people. The common people of our country, particularly the toiling sections, the workers, the peasants and farmers, the scheduled castes and the

scheduled tribes, the women and the minorities have not seen fulfillment of their basic minimum needs. In such circumstances, it is the bounden duty of us, as Members of Parliament, to play a very active, responsible and effective role to meet the aspirations of the people".

1.6 The Governor, Reserve Bank of India while deposing before the Committee during the course of evidence held on the 18th July, 2005 inter-alia stated that:

"The RBI takes care of the value of the rupee, inflation, external and internal. That is one aspect. The second aspect is that we manage the Government debt, Centre and the States. The RBI is also the banker to the Government. We also regulate the currency. We also regulate money, government and forex markets. All this is part of developmental role. The developmental role as regards weaker section is operated through the banking system. That is the main thing. So, basically we have to operate through the banking system in ensuring the credit flow. That is how the structure is there. In that situation we have two sets of instruments. One instrument is the priority sector lending, where forty per cent has to be given for priority sector lending. Secondly, there are separate funds earmarked for Scheduled Castes and Scheduled Tribes under various programmes. So, there are various programmes. So, in a way, the actual implementation of the developmental programmes linked with credit in regard to Scheduled Castes and Scheduled Tribes is the result of the joint effort of the Government

and the Bank. So, in every programme there is a scheme of things. Then, we have State Level Bankers Committee (SLBC) and we have District Committees. There are Government sponsored programmes. So, much depends on the actual cooperation that exists between the Government and the banking system".

1.7 He further added:

"A very important issue has been raised with regard to coverage of the banking system. We have to recognize that when we conceived the whole system in 1950, we nationalized the Imperial Bank and established State Bank of India in order to penetrate rural credit to the rural areas and the weaker sections. After that in 1969, we nationalized the banks. Basically it is the Government which is trying to do it. We also emphasised on the cooperative system. Credit is tried to be pushed through the cooperative banks. We tried to have the Regional Rural Banks. Then we tried to have the Local Area Banks. So the banks will have to somehow penetrate…. Attempts are being made in this regard. We have to see how far we have been able to go… Bank penetration in India is low. ……When 30% of the people are below poverty line, basically the Government has to take care of it… Second point is regarding institutional structure. The institutions with enormous thrust into the rural areas have, for some reason or the other, failed to function. Thirdly, the whole situation is such that the States, the Centre and the Reserve Bank of India have to work together, and we have been trying to work together….. In terms of coverage it is

less than adequate economic development. The problem is far more serious. There are structural problems also".

1.8 While commenting further during evidence the Governor Reserve Bank of India expressed his apprehension:

"…… any loan which is given has to be repaid. It is the depositors money. So, in terms of strategy, by giving the bank loan to those who are below poverty line, you are doing injustice to them. It is because, they are below poverty line and they may not be able to generate the surplus. That is the limitation with regard to penetration".

1.9 Clarifying further, the Governor Reserve Bank of India submitted:

"…… in a way, the actual implementation of the developmental programmes linked with credit in regard to SCs and STs is the result of the joint effort of Government and Banks… so much depends on the actual cooperation that exists between the Government and the Banking system… It is true that there has been some problem of inadequate flow of credit…".

B. Organisational set-up

(i) Ministry of Finance

1.10 The Ministry of Finance, Banking Division administers all Government policies having a bearing on the working of banks and the term lending Financial Institutions. The Division is headed by Secretary (Banking and Insurance) and operates through three sub-divisions (I) Industrial Finance (II) Banking Operations and (III) Banking and Insurance. A Joint Secretary heads each sub-division.

1.11 The Banking and Insurance sub-division deals with all policy matters relating to bank's credit linked self employment programmes implemented by Ministries/Departments of Central Government, operational and administrative matters of National Housing Bank (NHB) and coordination with the RBI on the above matters. This sub-division also deals with credit policy matters relating to village and cottage industries, handloom handicrafts, transport, education, small business, retail trade etc. Matters relating to selective credit control, Deposit Insurance and Credit Guarantee Corporation and administration of the Regional Rural Banks Act, 1976, negotiation and implementation of wage settlement in banking industry, man-power housing, processing of proposals for appointment of workmen employee directors, implementation of reservation policy for Scheduled Castes/Scheduled Tribes and the other specified categories is also being dealt by the SCT Section under this sub-division.

(ii) Reserve Bank of India

1.12 The Committee have been informed that the Special Programme Section in Rural Planning and Credit Department (RPCD), Central Office, Reserve Bank of India monitors the performance of the scheduled commercial banks through the receipt of monthly/quarterly progress reports and half yearly recovery statements from the banks under the schemes such as Swarnjayanti Gram Swarozgar Yojana (SGSY), Swarna Jayanti Shahari Rozgar Yojana (SJSRY), Scheme of Liberation and Rehabilitation of Scavengers (SLRS), Prime Minister's Rozgar Yojana (PMRY) etc. The Special Programme Section coordinates with the

Ministry of Finance, Ministry of Rural Development, Ministry of Urban Employment and Poverty Alleviation and Ministry of Social Justice and Empowerment while evolving policies. The Rural Planning and Credit Department of the RBI also prescribes procedures to be followed and the steps to be taken by banks in the matter of credit facilities to the Scheduled Castes and Scheduled Tribes.

C. Board of Directors

(i) Reserve Bank of India

1.13 A Central Board of Directors governs the Reserve Bank's affairs. The Board is appointed by the Government of India as per Section 8 (1) of Reserve Bank of India Act, 1934 which stipulates that the Central Board shall consist of the following Directors namely:-

(a) a Governor and not more than four Deputy Governors to be appointed by the Central Government;

(b) four Directors to be nominated by the Central Government, one from each of the four Local Boards as constituted by Section 9;

(c) ten Directors to be nominated by the Central Government; and

(d) one Government official to be nominated by the Central Government.

(ii) Nationalised Banks

1.14 As per the present procedure the appointment of a person as whole time director of Public Sector Banks and Financial Institutions is done on the basis of recommendations of the Appointments Board. Directors appointed to represent Officers of the banks are appointed in the manner

as specified in the Third Schedule of Nationalised Banks (Management and Miscellaneous Provisions) Scheme 1970/80. Directors representing the Workmen are appointed in the manner specified in the Schedule to the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/80. As far as appointment of non-official directors on the Boards of Nationalised Banks is concerned, the same is made in accordance with the criteria and procedures prescribed on the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970/1980. These Scheme and Act do not provide for any reservation for persons belonging to SC/ST categories on the Board of concerned Banks. However, guidelines have been framed by Ministry of Finance, Department of Economic Affairs (Banking Division) for selection of part-time non-official Directors wherein it has been mentioned that as far as possible representation may also be given to persons belonging to SC/ST community.

1.15 The Ministry of Finance, Department of Economic Affairs (Banking Division) on the basis of recommendation made in the 1st Report (14th Lok Sabha) of the Committee on the Welfare of Scheduled Castes and Scheduled Tribes to ensure appointment of 2 Directors from SC community and one from ST community have issued instructions vide their letter No. 9/27/2004-B.O.I. dated the 25th February, 2005 (Appendix 'A') advising the banks to keep in view the recommendation of the Committee while sending proposals for appointment of part-time non-official director.

1.16 On the issue of guidance that could be rendered by the Reserve Bank of India nominated Directors to the banks towards achieving the

targets under credit flow to SCs/STs, it has been replied that all banks place a review note on priority sector advances to their Board of Directors on a quarterly basis. The Reserve Bank of India nominee Director, may give his views/suggestions on any issue, which could be considered by the Board. Furthermore, Reserve Bank of India had on June, 10, 2005 issued a circular giving details of the issues to be included in the Calendar of Reviews to be submitted before the Board of Banks. In view of the above guidelines issued by Reserve Bank of India, Board of Banks are responsible for achievement of targets.

1.17 The Governor, Reserve Bank of India elaborating further on the issue during evidence submitted:

> "…….. the Ministry or the Central Bank can give only a framework. The banks' actual functioning has to be governed by the Board of the bank. So, if there are priorities which have to be translated into implementation that has to be done by the boards of the public sector banks….. If any priorities from public policy point of view to be effectively implemented, the proper forum for that is bank's Board and the regulations with regard to staff which govern the incentives and disincentives".

1.18 The Committee note that the State is constitutionally liable to promote the educational and economic interests of Scheduled Castes and Scheduled Tribes. These provisions being part of Directive Principles of State Policy, cannot be enforced by courts. The Committee, however, observe that the progress of economic development of SCs/STs has been very slow even after a period of

58 years of independence of the country has gone by. It is painful to note that 38.47% of SCs and 34.75% of ST, are still living below poverty line in urban areas and 36.62% of SCs and 45.86% of STs in the rural areas as per Tenth Five Year Plan period (2002-07). The Committee, therefore, opine that until and unless the Government seriously decide to set a time frame to fully achieve the objectives, in a phased manner, problem would continue to persist as ever.

1.19 The Committee note that the coverage of banking system in India seems inadequate as the existing banking institutions have not been able to penetrate the rural areas fully due to various reasons as admitted by Governor, RBI. The development programmes linked with credit to SCs/STs depend much on cooperation between the Government and the Banking system. The Committee, therefore, desire that immediate steps should be taken to improve the flow of credit to SCs/STs with much improved delivery system especially in the rural areas. The Committee, further, desire that a study may be made as to know the reasons for the failure of banking institutions in not being able to fully cover the rural poor for providing credit and to suggest corrective measures thereto.

1.20 The Committee note the apprehension expressed by the Governor of the Reserve Bank of India during evidence that providing loan to people living below poverty line who are unable to generate surplus would be doing injustice to the depositors' money and that it is one of the limitations with regard to penetration of banks. The Committee feel that the apprehension among the

Banking Institutions may be misconceived because these borrowers form a very small part of the credit lending process and only they are not to be blamed entirely for Non Performing Assets (NPAs) of banks. Instead the Committee desire that the Government and the Banking institutions should help the poor SC/ST beneficiaries to develop their skills on stipend basis prior to flow of credit to them or make the training part as a must for credit flow process so that the poor SCs/STs could sustain themselves as well as repay loans.

1.21 The Committee regret to note that there is no separate Cell in the Reserve Bank of India to look after the credit needs of SCs and STs exclusively. The Committee feel that the Rural Planning and Credit Department of Reserve Bank of India should be sensitised to the needs of SCs/STs so that justice can be done to the complex economic problems of these people. The view is further strengthened by the admission made by the Governor, RBI that much depends on the actual cooperation between the Government and the Banking system and that there has been some problem of inadequate flow of credit to SCs/STs. The Committee, therefore, desire that the Rural Planning and Credit Department of the Reserve Bank of India should address the issue properly and more vigorously by making thorough study of the problems faced in extending full credit facilities to SCs/STs.

1.22 The Committee note that there are no provisions for appointment of SC/ST member either on the Board of Reserve Bank of India or on the Board of nationalized banks in the relevant Acts.

The Committee note that guidelines framed for selection of part-time non-official Directors have only a reference to giving representation to persons belonging to SC/ST community but wonder whether the banks have taken the guidelines seriously in the absence of specific mention either about the number of them to be placed on the board or a time frame set for such appointments. The Committee while examining various banks during study visits have also noted that these guidelines simply appear to remain on paper. The Committee, therefore, recommend that the Government should devise an effective system to ensure that two Directors from SC community and one Director from ST community are invariably appointed as part-time non-official Directors both on the Board of Reserve Bank of India and on each of the Boards of nationalised banks at the earliest.

1.23 The Committee observe that the Board of Directors play a major role in chalking out the priorities and the style of functioning of the banks. The Committee also note that Reserve Bank has issued guidelines making the Board of the banks responsible for achieving targets. The Committee further note that Reserve Bank of India nominated Directors appointed on the Board of nationalised banks may give suggestions on an issue for consideration of the Board. The Committee conclude that Reserve Bank of India nominated Directors have been assigned a great role of chalking out strategies/giving suggestion on issues to the Board which overall controls the functioning and the priorities of the banks. However, in reality the Committee find with dismay that the role of the nominated

Directors is restricted to that of providing a framework only. Not much appears to have been done by these Directors in chalking out strategies for extending flow of credit to weaker sections of the society especially SCs/STs. The Committee, therefore, suggest that since banks fall under the administrative control of the Ministry of Finance and the Reserve Bank of India monitors various aspects relating to implementation of schemes by banks, the Ministry of Finance and the Reserve Bank of India should play more active and aggressive role in promoting the flow of credit to SCs/STs through their Directors on Board in such a manner that the stipulated targets are always achieved.

CHAPTER - II

A. Flow of credit to Scheduled Castes and Scheduled Tribes

(i) Role of the Reserve Bank of India

2.1 The Reserve Bank of India (RBI) has laid down guidelines that commercial banks should provide credit to priority sector to the extent of 40% of their Net Bank Credit (NBC). The priority sector includes Agriculture, Small-Scale Industries (SSI), Small Business and Service Sector. Within the overall target of 40%, banks have been advised to channelise 10% of their net bank credit to economically weaker sections, which *inter-alia* include Scheduled Castes and Scheduled Tribes.

2.2 The targets and sub-targets set under priority sector lending for domestic and foreign banks operating in India are as under:-

	Domestic Banks (both Public Sector and Private Sector Banks)	**Foreign Banks operating in India**
Total Priority Sector advances	40% of NBC	32 % of NBC
Total agricultural advances	18% NBC	No target
SSI advances	No target	10% of NBC
Export credit	Export credit does not form part of priority sector	12% of NBC
Advances to weaker sections	10% of NBC	No target

2.3 In reply to a specific question as to the constraints that RBI experience in instructing banks to earmark separate funds for SCs/STs under the Net Bank Credit lending under weaker sections, it has been stated that there are no constraints.

2.4 RBI reviews and monitors the flow of credit to the Priority Sector as well as flow of credit to SCs/STs under various poverty alleviation programmes. The Reserve Bank periodically issues instructions/directives to banks with regard to providing credit facilities to SCs and STs. To enable banks to have current instructions at one place, a Master Circular incorporating all the existing guidelines/instructions has been prepared and circulated to all the commercial banks in August, 2004. While responding to a specific question about the steps taken for making the Master Circular effective and less complicated, the Governor Reserve Bank of India submitted during evidence as under:

> "…….we instituted a Regulation Review Authority. Before that, we had so many regulations and so many circulars. Then, after the liberalisation, there came a crisis of understanding this thick bundle. Therefore, on the recommendation of the Regulation Review Authority, a policy decision was taken that every year in the month of July, you will update everything so that it is easy for reference. So, during 2004-05, if there is any development that has taken place, it will be incorporated on the 1st July, 2005. If no development has taken place, then also it will be reiterated….. So if there is no change between 2004-05, that means no further instructions have been issued during the period, but we are insisting that these are put on Website".

2.5 The Committee have been informed that Lead District Officers at Regional Offices of the Reserve Bank of India have been entrusted with the role of collecting information about the credit needs of the SC/ST

borrowers during their branch visits. Avoiding direct answer to a specific query on the record of the number of SC/ST borrowers contacted and the kind of problems faced by them while availing loans, the Reserve Bank of India has intimated that Lead District Officers have been advised to contact SC/ST borrowers during their periodic visits to bank branches to ascertain from them whether they are facing any difficulty in accessing bank credit. The information collected by the Lead District Officers is maintained at Regional Offices of the Reserve Bank of India.

2.6 The outstanding advances made by the public sector banks to the weaker sections and the SCs and STs under the priority sector during the years as in March in 2003, 2004 and 2005 are as under:-

(Rs. In Crore)

Year ending	**Net Bank Credit (NBC)**	**Total priority sector advances (40% of NBC)**	**Advances to the weaker sections (10% of NBC within the target of 40% of NBC)**	**Total credit to SC/ST (Included within the weaker sections)**
March, 2003	477899.42	199786.18 (41.80%)	32702.80 (6.84%)	12932.54 (2.70%)
March, 2004	558849.05	244456.63 (43.74%)	38769.16 (6.94%)	14407.20 (2.57%)
March, 2005*	718721.46	310093.30 (43.15%)	62648.95 (8.72%)	17974.18 (2.50%)

*Provisional

Note: The figures in parenthesis show percentage of advances to Net Bank credit.

2.7 In a written reply, it has been stated that the public sector banks in aggregate, have surpassed the lending target under the priority sector. However, they are yet to achieve the prescribed target of 10% of the net bank credit to the weaker sections. The Committee have also been informed that 22 Public Sector Banks had failed to achieve their target under the priority sector.

2.8 Another set of figures provided to the Committee on the flow of credit to SCs/STs under the priority sector lending by the public sector and private sector banks as on the last reporting Friday of March is as under:-

Year	Public Sector Banks		Private Sector Banks	
	No. of Accounts (in lakhs)	Loans outstanding (in crores)	No. of Accounts (in lakhs)	Loans outstanding (in crores)
2002	71.29	11882.28	-	-
2003	65.87	12932.54	-	-
2004	70.45	14407.20	0.78	188.28
2005	77.89	17974.18	1.02	255.56

2.9 In reply to carrying out house-to-house surveys to fulfill targets, it has been stated that the responsibility for identification of the beneficiaries rests with the Government agencies like State Scheduled Caste/Scheduled Tribe Development Corporations. However, banks have been advised to ensure that field staff of banks should also contact the Scheduled Caste and Scheduled Tribe borrowers and explain to them the salient features of the schemes and also the advantages that will accrue.

2.10 Elucidating further, it has been stated in the post evidence replies that flow of credit to SCs/STs is a collective responsibility of all coordinating agencies. However, lack of coordination among the various implementing agencies is considered to be one of the main causes for non-achievement of targets.

2.11 The Committee have been informed that the domestic scheduled commercial banks, having shortfall in lending to priority sector/agriculture are required to deposit into Rural Infrastructual Development Fund (RIDF) established with NABARD such amounts as may be allocated to them by

the Reserve Bank of India. As a measure of disincentive for non-achievement of agricultural lending target, the rate of interest on the deposits made to RIDF by the contributing banks have been lowered and are charged in inverse proportion to the extent of shortfall in the agricultural lending vis-à-vis the stipulated target of 18 per cent. Consequently, the banks are paid at rates of interest ranging between bank rate (presently 6 per cent) and bank rate minus 3 percentage points (presently 3 per cent) for deposits made in RIDF. Thus, banks having a larger shortfall in lending to agriculture are being given interest at a lower rate (i.e. currently 3 per cent, which is lower than the bank's average cost of funds) and this should prove to be a disincentive for such banks and induce them to improve their agricultural lending.

2.12 Asked as to what progress has been achieved in regard to advice given by the Parliamentary Committee on Finance in making allocation to banks in RIDF in the case of shortfall under weaker sections lending, the Committee were informed that the corpus of various tranches of RIDF have adequately covered the aggregate shortfall of public sector and private sector banks in lending to priority sector/agriculture. Therefore, the shortfall in lending to weaker sections has not yet been taken into consideration for meeting allocation to banks in RIDF.

2.13 In reply to a question as to whether RBI had ever explored the feasibility of penalising continuously defaulting banks by paying no interest on their contribution towards RIDF, the Committee were informed that various steps have already been taken to stiffen the penalty by depositing in RIDF on account of non-achievement of agricultural lending target and

by lowering the rate of interest ranging between bank rate and bank rate minus 3 percentage points, which is charged in inverse proportion to the extent of shortfall in agricultural lending. Elaborating further on the issue of penalty during evidence, the Governor, Reserve Bank of India submitted:

> "Statutorily the Reserve Bank can levy penalities for financial irregularities under the Banking Regulation Act…. The maximum penalty under the BR Act is Rs. 5 lakh….".

2.14 Over the manner in which the Rural Infrastructure Development Fund is being utilized, the Committee have been informed that out of the deposits received under RIDF, NABARD grants loans to State Governments for various rural infrastructure projects such as rural roads, rural bridges, minor irrigation projects, soil conservation, flood protection, etc. To a query whether some percentage of RIDF is earmarked for specific development of SCs/STs, the Committee have been replied in negative.

2.15 To another query over maintaining of figures in respect of SCs/STs under credit lending, the Reserve Bank of India has stated that under the MIS, for priority sector lending as a whole, data on outstanding credit to SCs/STs is collated. In respect of Government Sponsored Schemes, the formats for the MIS system as prescribed by the Government, covers data in respect of loans sanctioned and disbursed by banks to SCs/STs, as a whole.

2.16 In reply to a suggestion that an honest survey need to be undertaken to know about the people who have availed loans and those

who have been unsuccessful in availing loans the Governor Reserve Bank of India submitted:

> "……it is about a survey of those who get loans, what has been their experience and those who did not. We will do that. It is an extremely useful suggestion".

2.17 When asked whether the Reserve Bank of India had worked out frequently asked questions (FAQs) and prepared some brochure to remove doubts in the process of availing credit facilities, it was stated that RBI has advised banks that instructions related to extension of benefits be translated into local language and due publicity be given. Field Staff has been advised to get in touch with SC/ST beneficiaries to assess their credit needs. It has also been added that Reserve Bank of India proposes to get feed back from State Level Bankers Committee Conveners for preparing brochures and also to work out FAQ in case the present steps are found inadequate.

2.18 While communicating their views over the issue of exploitation of illiterate borrowers by unscrupulous elements, the Reserve Bank of India has submitted that the large outreach of the formal credit delivery network particularly in rural and semi-urban areas has considerably reduced the exploitation of illiterate persons by money lenders/unscrupulous elements in these areas. In contrast the Reserve Bank of India have replied in negative with reference to whether any survey was conducted to remote SC/ST populated areas without any banking facilities.

2.19 When asked whether Reserve Bank of India had ever made a study on causes of suicide by farmers and role of private money

lenders/unauthorised lending, it was clarified that no specific study based on the aspects had been conducted. However, elaborating on the issue during evidence, the Governor, Reserve Bank of India submitted:

> "…..we do not have a survey of unauthorized money lenders. In fact, whatever has been studied and what we have is when we make the rural credit survey we get information about the total loan outstanding, how much is the loan outstanding to institutions and how much to the money lenders. That data is available. We make surveys from time to time. I can share the result of the study with you but it is a fact that a significant amount of unauthorized money lending is going on. The issue is linked between suicides and recovery. Again a question was whether suicides are occurring because of pressure of institutions to collect money or pressure of private money lenders to collect money. As far as the preliminary data is concerned, it is not because of banks but because of money lenders".

2.20 Regarding centralized guidelines to institutionalize private money lending, it has been clarified that State Legislature is empowered to make laws on the subjects of money lending, money lenders and relief of agricultural indebtedness under Entry 30 of List II of Seventh Schedule of the Constitution of India. In fact, each State has enacted Money Lending Act for regulation of money lending and money lenders within the State. For example, in Maharashtra, Bombay Money Lenders Act, 1946 is in force. The State Money Lending Act applies in the respective State and States can themselves frame rules for regulating the rate of interest to be

charged by money lenders while granting loans to Scheduled Castes and Scheduled Tribes. However, Reserve Bank has no authority in law to regulate money lending by money lenders or issue any guideline on the subject.

2.21 Elucidating further on the possible solution that could help in reducing the problem of money lending, the Governor, Reserve Bank of India clarified during evidence:

> "If I may say purely technically, the best solution to be able to handle the problem of money lending is to increase the supply. We should try to push the supply than keep the rates low. If we keep the rate low then distortions arise so we have to push the supply and ensure repayment mechanism. In my view if we can revive the cooperatives, have three-four different types of institutions, then all of them going into and doing lending, then that will give strength to the borrowers".

2.22 Over the feasibility of banks to extend loan to farmers to repay debts to money lenders, the Committee have been informed that Reserve Bank of India has advised all scheduled banks to provide relief measures for farmers indebted to non-institutional lenders after the announcements made by the Union Finance Minister.

2.23 The Committee have also been informed that RBI issued a detailed Master Circular on 1st July, 2005 detailing therein relief measures to be undertaken by banks in areas affected by natural calamities. They also issued certain guidelines on 29th July, 2005 after the unprecedented rainfall witnessed in Maharashtra.

2.24 The Committee note that banks are required to channelise 10% of their net bank credit to economically weaker sections including SCs/STs from within the overall target of 40% specified for providing credit to the priority sector. The Committee view that the meagre credit target of 4% of the net bank credit does not seem sufficient to cater to the vast population of the economically weaker sections. The Committee note that no separate funds have been earmarked exclusively for the SCs/STs even though there are no constraints in instructing banks in this regard. The Committee, therefore, strongly recommend that the Government/Reserve Bank of India should either increase the share of weaker sections in credit lending target under priority advances considering their vast numbers or earmark separate funds to cater for the credit needs exclusively of the SCs/STs in proportion to their population under lending to priority sector advances since almost 40% of them continue to live below poverty line.

2.25 The Committee observe that domestic banks, constituting both public sector and private sector banks, have specified targets for lending under the priority sector advances, agricultural advances and advances to weaker sections etc. whereas foreign banks have specified targets under the priority sector advances but no targets have been fixed for them under agricultural advances and advances to weaker sections. The Committee are unhappy to note that foreign banks which have been allowed to do business in India have not been given specified targets either under the agricultural sector,

considered to be the backbone of Indian economy or under advances to weaker sections, as has been done in case of domestic banks. The Committee, therefore, suggest that guidelines should be issued to direct the foreign banks also for lending under agricultural advances and advances to weaker sections.

2.26 The Committee appreciate the efforts of RBI to have all the current instructions at one place in a master circular incorporating therein all the existing guidelines/instructions to be followed by commercial banks in order to make them effective and less complicated. The Committee also note that any new development that may occur is incorporated on yearly basis in the master circular and efforts are also being made to put them on website. The Committee, while viewing it as a commendable exercise desire that inspection exercise should also be performed periodically to assess whether the existing instructions/guidelines are being applied by the bank officials in reality.

2.27 The Committee observe that Lead District Officers at Regional Offices of the Reserve Bank of India have to ascertain the problems faced by SC/ST borrowers in accessing bank credit and the information collected by them are maintained at the Regional Offices of the RBI. The Committee, desire that Regional Offices of the RBI should be advised to transmit all such data to the RPCD, if not already done, so that it could be utilised in evolving effective strategy to minimize bottlenecks in accessing bank credit.

2.28 The Committee note that though public sector banks, have in aggregate surpassed the lending target under the priority sector advances during the year ending March 2003, March 2004 and March 2005, they are yet to achieve the prescribed target of 10% to be channelised to the weaker sections from within their net bank credit of 40% under priority sector advances. The total credit to weaker sections during the above period were 6.84%, 6.94% and 8.72% whereas that of SCs and STs were only 2.70%, 2.57% and 2.50% respectively. The Committee further note that the data in regard to lending under priority sector advances by private sector banks shows that they have not made much progress in this regard even though they have also been given the same targets to achieve under Priority Sector advances and sub-targets under advances to weaker sections as in case of public sector banks. The Committee desire that the Reserve Bank of India should ensure that both the public and private sector banks earnestly strive to achieve the targets stipulated under the priority sector advances to weaker sections in letter and spirit.

2.29 The Committee are perturbed to note that the percentage of credit to SC/ST beneficiaries within the weaker sections has been declining even though the credit under advances to weaker sections has shown an increasing trend during the last three years (2003, 2004 and 2005) more particularly in the year ending March, 2005. The sharp decline in the percentage of credit to SC/ST in relation to the total credit to weaker sections from 39.54% (2003) to mere 28.69%

(2005) is a matter of great concern to the Committee. This decline shows that the efforts reported to have been made by the RBI/Ministry of Finance to improve lending to SCs/STs have failed and has led to sharp decline of around 8.47% during the last 2 years. The Committee, therefore, earnestly desire that concerted efforts should be made to arrest the decline and the lending to SCs/STs within the weaker sections should be improved and sustained at least between 3% to 4%.

2.30 The Committee note that allocation to banks for contribution to Rural Infrastructure Development Fund (RIDF) is made on the basis of their shortfall in priority sector/lending to agriculture. They however, regret to note that shortfall in lending to weaker sections has not yet been considered for making allocation to banks in the RIDF. The Committee feel that in the absence of strict stipulation for banks to contribute to RIDF in case of shortfall in lending to weaker sections, neither the objective of economic upliftment of the weaker sections would be achieved nor the banks could be compelled to fulfill targets. The Committee, therefore, strongly recommend that shortfall in lending to weaker sections may also be taken into consideration for making allocation to banks in RIDF and as and when separate funds under priority sector are earmarked for SCs/STs exclusively, shortfall in lending to these deprived classes, be also reckoned for contribution by banks to the RIDF.

2.31 The Committee further note that the rate at which interest is paid to the banks on their contribution to RIDF is inversely

proportional to the extent of shortfall. The Committee, feel that this stipulation has not produced the desired pressure on banks so as to propel them to achieve the targets fixed for them. No other strategy also seems to exist for banks which continuously fail to achieve targets. It may perhaps be this reason that the banks are yet to achieve the targets stipulated for weaker sections. The Committee, therefore, recommend that Reserve Bank of India should make stringent guidelines enunciating therein that no interest would be allowed on contribution to RIDF in case the banks fail to achieve the targets stipulated for weaker sections for consecutive years.

2.32 The Committee observe that the Rural Infrastructure Development Fund is utilized in the form of loans to State Governments for development of rural infrastructure such as rural roads, bridges, mines, irrigation projects, soil conservation and flood protection etc. No amount, however, has been earmarked for specific development of SCs/STs. The Committee feel that if some portion of the Rural Infrastructure Development Fund is specifically set aside for the development of areas/villages inhabited by the weaker sections including the SCs/STs, it would perhaps make good the shortfall in achievement of targets under advances to weaker sections to some extent.

2.33 The Committee note with surprise that RBI follows different formats under MIS for collating data in respect of credit given to SCs/STs under priority sector lending and in respect of Government sponsored schemes. Under MIS for priority sector lending as a

whole, RBI collates data in respect of outstanding credit to SCs/STs whereas in case of Government schemes, the formats for MIS as prescribed by the Government cover data in respect of loans sanctioned and disbursed by banks to SCs/STs as a whole. The Committee feel that only maintaining figures of loans outstanding to SCs/STs may not provide a clear perspective of the loans disbursed and the number of persons extended loans during a certain year thereby completely depriving the Reserve Bank of India either to assess the impact or propose necessary measures. The Committee, therefore, desire that MIS system may suitably be upgraded to collect figures of both the loans disbursed and the number of people helped both for weaker sections and SCs/STs separately.

2.34 The Committee note that lack of credit delivery network in the rural and semi-urban areas has resulted into exploitation of weaker sections, including SCs/STs, leading to suicide by farmers. The Governor, Reserve Bank of India has also admitted to this fact during the course of his evidence before the Committee. The Committee have further noted that private money lenders have played a big role in exploitation of the weaker sections of the society. The Committee have also been informed that only State Legislatures are empowered to make laws on the subject since it is listed under Entry 30 of the List II, Seventh Schedule of the Constitution and that the Reserve Bank of India has no authority to regulate money lending or issue any guidelines thereto. The Committee, however, note that despite 'Bombay Money Lenders Act, 1946' in force in Maharashtra the law

does not seem to be enough to stop the debt related deaths of farmers. The Committee opine that the Constitution of India in the form of Article 252 is perhaps the solution to the problem as this empowers the Union Government to legislate on any item not enumerated in the Union List. The Committee therefore desire that a comprehensive study of the credit delivery system to the weaker sections of the society may be undertaken by Reserve Bank of India and corrective steps should be taken to ensure an efficient and strong credit delivery system.

2.35 The Committee are happy to note that the Reserve Bank of India has been providing relief measures through the scheduled banks to the people either affected by natural calamities or indebted to money lenders. The Committee also agree with Governor, RBI that the best solution to the problem of money lending is to increase credit lending through banks and co-operatives. The Committee, therefore, recommend that the Government should ensure that the targets fixed for priority sector lending are fulfilled every year and that the lending targets fixed under advances to agriculture sector are revised to improve and expand the credit delivery network.

(ii) <u>Role of Banks</u>

2.36 The Committee have been informed that the responsibility of identification of beneficiaries lies with the Government agencies like State Scheduled Caste Development Corporations. However, banks have been advised to ensure that field staff of banks should also contact the SC/ST

borrowers and explain to them the salient features of the schemes and advantages that will accrue. As regards receiving of loan applications, the banks either receive them directly through the SC/ST borrowers or through SC/ST Development Corporations who are aware of the credit needs of these communities. In connection with approval of loan proposals, the Committee have been informed that though Field Officers play a significant role in proper identification of beneficiaries desirous of availing credit facilities, yet banks decide on the final decision to either sanction or reject the loan proposals. Banks have been advised to take following steps with regard to flow of credit to SCs/STs:-

(a) Bank staff may help the poor borrowers in filling up the forms and completing other formalities so that they are able to get credit facility within a stipulated period from the date of receipt of applications.

(b) In order to encourage SC/ST borrowers to take advantage of credit facilities, greater awareness among them about various schemes formulated by banks will have to be created. As a majority of the eligible borrowers would be illiterate persons, publicity through brochures, other literature, etc., will be of limited utility. The more desirable method would be for the field staff of banks to contact such borrowers and explain to them the salient features of the schemes as also the advantages that will accrue. Banks should advise their branches to organize meetings more frequently exclusively for SC/ST beneficiaries to understand

their credit needs and to incorporate the same in the credit plan.

(c) Bank should keep Application Register/Deposit Register, Complaint Register in desired order and maintain relevant documents and pass books in local language too, besides in Hindi and English.

(d) Circulars issued by RBI/NABARD should be circulated among the staff concerned for noting the instructions for proper follow up.

(e) Banks should not insist on deposits while considering loan applications under Government sponsored poverty alleviation schemes/self-employment programmes from borrowers belonging to SCs/STs. It should also be ensured that applicable subsidy is not held back while releasing the loan component till the full repayment of bank dues. Non release of subsidy upfront amounts to under-financing and hampers asset creation/income generation.

(f) A National SC/ST Finance and Development Corporation has been set up under the administrative control of Ministry of Welfare. Banks should advise their branches/controlling offices to render all the necessary institutional support to enable the institution to achieve the desired objectives.

(g) Advances sanctioned to State sponsored organizations of SC/ST, for the specific purpose of purchase and supply of inputs to and/or the marketing of outputs of the beneficiaries

viz. artisans, village and cottage industries of these organizations, should be treated as priority sector advances, subject to the condition that the relative advances are exclusively for the purpose of purchase and supply of inputs to and/or marketing of the outputs of beneficiaries as of these organizations.

2.37 When asked whether banks have ever achieved the targets specified for the weaker sections under the priority sector, it was stated that public sector banks are yet to achieve the prescribed target of 10% of their net bank credit to the weaker section even though they have achieved the target of 40% of their net bank credit to the priority sector. The Reserve Bank of India in response to a query as to banks failure to achieve targets, has submitted that lack of coordination among the implementing agencies and lack of awareness among the beneficiaries as one of the main reasons. The other reasons for shortfall stated by the public sector banks are viz., lack of sufficient number of applications vis-à-vis targets, bunching of applications in the last quarter of the financial year, wrong identification of eligible candidates, late receipt of subsidy amount, lack of awareness among the prospective borrowers about the schemes, low recovery percentage and high level of NPAs.

2.38 When asked whether banks can come up with their own schemes other than Government sponsored schemes, the Committee have been informed that it is the discretion of the individual banks to come up with their own schemes with the approval of their Boards to help the SC/ST borrowers. SCs/STs are part of Self-Help Group (SHG) bank linkage

programme which has emerged as the major micro finance programme in the country and the major innovative tool for providing financial services to the rural poor. As in March, 2005, 16,18,476 SHGs have been financed by banks with an amount of Rs. 6898 crore.

2.39 Asked whether the processing time could be curtailed to a maximum of 15 days in case of all loan proposals under priority sector, it has been stated that banks are required to clear the applications received under priority sector advances up to credit limit of Rs. 25,000/- within a fortnight and those for over Rs. 25,000/- within 8-9 weeks. However, banks have been advised that loan applications under SGSY scheme should be disposed of within the prescribed period of 2 weeks and in any case not later than one month.

2.40 Asked for adopting single window concept for flow of loans, it has been stated that most of the banks are gradually adopting single window concept for flow of loans, which ensures faster disbursal of loans to the applicants in a minimum possible time.

2.41 On the issue of communicating the reasons for rejection of loan application, the Committee have been informed that banks have been advised to indicate clearly the reason for rejection of application on the form itself so that sponsoring agency would take necessary action. They have also been advised to help the poor borrowers in filling up the forms and completing other formalities so that they are able to get credit facility within a stipulated period. Banks have also been advised to contact illiterate borrowers and explain to them the salient features of the schemes

as also the advantages that would accrue so as to minimise the rate of rejection of applications.

2.42 It has further been informed that the rejection of application in respect of SCs/STs is done at a higher level instead of at the branch level. The register for rejected applications maintained by the Banks is made available to inspecting officers. Reserve Bank of India, however, does not collect the details of loan proposals received from various agencies, though data showing total loan applications of general and weaker sections including SCs/STs under various government sponsored programmes is being collected by the Reserve Bank of India.

2.43 Avoiding direct answer to the feasibility of fixing interest on loans up to Rs. 2 lakh below the Prime Lending Rate (PLR) specifically for the SCs/STs, the Reserve Bank of India have intimated that Banks are free to fix interest on loans up to Rs. 2 lakh with the prescription of not exceeding the PLR and on the loans above Rs. 2 lakh, banks are free to determine the rate of interest subject to PLR and guidelines. It was added that sub-PLR lending does take place in some sectors. When asked whether any subsidy is extended to other weaker sections of the society and if so how does it compare with the subsidy extended to the SCs/STs, the Committee were informed that no subsidy on interest rates is extended to any weaker sections of the society including SCs/STs under the scheme. However, under the Differential Rate of Interest scheme, banks provide finance at a concessional rate of interest of 4% p.a. up to Rs. 6500/- to the weaker sections (including SCs/STs) of the community for engaging in productive and gainful activities.

2.44 To a specific query as to the feasibility of charging less interest on prompt repayments by borrowers, it was submitted that the banks may exercise their own discretion with regard to providing concession on the rate of interest charged to the borrower on prompt repayment of loan. However, under SGSY, the Swarozgaris are entitled to multiple doses of credit and to waiver of the 0.5% processing-cum-monitoring fee on prompt loan repayment. While replying to another query with regard to assistance that could be provided by banks for filling loan applications, it has been submitted that Reserve Bank of India have advised all Banks to extend assistance to loan seekers free of cost.

2.45 When asked whether it is the responsibility of banks to ensure receipt of adequate applications channelised through sponsoring agencies, it has been clarified that it is the responsibility of the banks to receive the applications from individual SC/ST and also from SC/ST associations/sponsoring agencies and get them scrutinised/sanctioned as per stipulated guidelines.

2.46 To a query regarding involving SC/ST Employees' Welfare Association of banks to improve performance under various poverty alleviation schemes, it has been stated that these organizations can arrange informal meetings so as to make all SC/ST beneficiaries aware of various schemes and credit facilities available to them. The Welfare Association can utilize the electronic media to propagate the schemes.

2.47 When asked whether the banks could be instructed for fixing responsibility of achieving targets on Senior Managers of Banks, no clear reply has been rendered. However, in reply to another query as to

whether the credit flow is linked to the performance of Bank Managers, it has been stated in affirmative and that it is reflected in their CRs. Clarifying further, it has been stated that the Reserve Bank of India has advised banks to submit quarterly review notes indicating actual performance of the banks during the relevant quarter and the measures taken by the bank to increase the flow of credit to the scheduled castes and scheduled tribes. However, instructions regarding administrative action to be taken are decided by individual banks themselves.

(iii) Role of SC/ST Development Corporation

2.48 The Scheduled Castes and Scheduled Tribes Development Corporations are working in the States/UTs for the economic development of the Scheduled Caste and the Scheduled Tribe categories. The main function of these Development Corporations include identification of eligible SC/ST families and motivating them to undertake economic development schemes, sponsoring the schemes to financial institutions for credit support, providing financial assistance in the form of margin money at low interest, providing subsidy out of the funds made available to the States under the Schemes of Special Central Assistance to Special Component Plan and Tribal Sub Plan of the States with a view to reducing the repayment liability and providing necessary tie up with other poverty alleviation programmes. For facilitating loans these corporations tie up with local banks, NSCFDC, NSTFDC and NSKFDC etc.

2.49 The erstwhile Ministry of Welfare, Government of India had advised all State Governments that the Scheduled Caste Development Corporations can consider bankable schemes/proposals for bank finance.

As regards collateral security and /or third party guarantee for loans, guidelines issued to banks on priority sector lending will apply. On the role of NGOs and SC/ST Development Corporations in aiming to achieve the stipulated credit lending, the Committee have been informed that except for the SC/ST Development Corporations, the Reserve Bank of India, are not aware of involvement of any NGO in the process of credit lending to SCs/STs .

2.50 The Committee note with concern that despite involvement of multiple agencies like State Scheduled Castes/Scheduled Tribes Development Corporations, Banks, Ministry of Finance (Banking Division) and Reserve Bank of India, the dream of achieving stipulated targets under advances to weaker sections has not been achieved. As admitted by the Governor, RBI, there is lack of coordination among the different agencies and lack of awareness among borrowers. The Committee also find that the responsibility of achieving targets has been fixed on the banks whereas the loan proposals of SC/ST borrowers are generally channelised through SC/ST Development Corporations. Further though Field Officers play significant role in identification of beneficiaries, yet the banks decide on the clearance of a loan proposal. The Committee feel that the system of some loan proposals passing through multiple agencies is quite confusing and that a more smooth and easy system needs to be evolved. The Committee, therefore, recommend that banks and all the agencies should have regular interface so as

to exchange knowledge and views to improve upon the delivery system of bank credit to SC/ST beneficiaries.

2.51 The Committee note that the Public Sector Banks take 2 weeks' time for clearing a loan proposal up to Rs. 25,000/- and for those over Rs. 25,000/- they take 8 to 9 weeks time. In case of only SGSY scheme a loan proposal is disposed off within 2 weeks and in any case not later than one month. This is despite the fact that the loan proposals are channelised through different agencies only after fullfilment of the required conditions. The Committee further note that most of the banks are gradually adopting single window concept. The Committee are of the view that since the banks have adopted single window system, the processing time for all loan proposals should accordingly be reduced to a maximum of 2 weeks. The Committee, therefore, desire that the Reserve Bank of India should issue necessary directions in this regard.

2.52 The Committee are unhappy to note that the Reserve Bank of India advises the banks to extend assistance to loan seekers free of cost, whereas it appears that under SGSY, some sort of processing fee is being charged from SC/ST borrowers since it has been stated that the Swarojgaris are entitled to a waiver of the 0.5% processing cum-monitoring fee on prompt loan repayments. The Committee, therefore, strongly recommend that the Reserve Bank of India should issue similar instructions that no processing fee should be charged from the SC/ST borrowers.

2.53 The Committee observe that the response to the proposal to instruct banks for fixing responsibility on senior managers in the event of not achieving targets especially for SCs/STs has not been clear. The Committee have been apprised that credit flow being linked to performance of bank managers is reflected in their CRs and administrative action, if any, to be taken, is decided by individual banks themselves. The Committee consider that the collective responsibility of Board of Directors is not enough and that senior Managers may also be given the responsibility to achieve targets. The Committee, therefore, desire that the Ministry of Finance should pursuade the banks to fix responsibilities on their senior managers for achieving targets.

2.54 The Committee note that SC and ST Development Corporations working in States/UTs are striving for economic development of SCs/STs. The Committee note that their functions include identifying the eligible SC/ST beneficiaries, motivating them to undertake development schemes, sponsoring their schemes to financial institutions for credit support, providing financial assistance in the form of margin money at low interest rates, providing subsidy out of Central funds received under SCP and TSP etc., and facilitating loans by tying up with local banks, NSCFDC, NSTFDC and NSKFDC. The Committee observe that despite several functions entrusted to SC/ST Development Corporations, the objective of helping the SC/ST beneficiaries does not seem to have been achieved as sufficient number of SC/ST people have still not

been covered. Non-achievement of stipulated targets is reported to be due to non-sponsoring of sufficient applications to banks by State SC/ST Development Corporations. The Committee, therefore, recommend that banks should rework their strategy to induce the SC/ST Development Corporations in sponsoring sufficient number of applications from SC/ST beneficiaries.

CHAPTER - III

A. Poverty Alleviation and Employment Generation Schemes

3.1 The Committee have been informed that the Government of India has evolved various poverty alleviation and employment generation programmes. The details of relaxation including subsidy and quota extended to SC/ST borrowers in the various Government sponsored programmes is as under:-

		SGSY	SJSRY	PMRY	SLRS	DRI
1.	Eligibility	Rural BPL	Urban BPL (9th class passed)	Educated unemployed youth 8th pass between 18-35 years. 10 years relaxation for SC/ST, physically handicapped and women	All scavengers and their dependents (both SC and non SC scavengers) in rural, semi urban and urban areas	Poorest of the poor from the rural semi urban and urban areas. The annual income should not exceed Rs. 7200/- in urban or semi urban areas and Rs. 6400/- per family in rural areas. Land holding must not exceed one acre of irrigated land and 2.5 acres of unirrigated land.
2.	Identification	SHGs formed by DRDA from BPL list and the individual Swarozgaris identified by a three member team consisting of BDO, Banker and Sarpanch	Beneficiaries are identified by Town Urban Poverty Eradication Cell/ Urban Local Bodies on the basis of house to house survey	Identified by DIC through District Task Force Committee.	Based on survey conducted by the local bodies/ authorities, the number and name of each scavenger and his dependents is prepared.	To be identified by the Banks based on the above criteria.
3.	Project Cost	No Limit	Rs. 50,000/-	Rs. 1 lakh in business sector and Rs 2 lakh in other sector. Partnership firm up to Rs. 10 lakh.	Rs. 50,000/-	The maximum assistance per beneficiary has been fixed at Rs. 6500/- for productive purposes. In addition to this, physically handicap-ed persons can avail assistance to the

						extent of Rs. 5000/- max per beneficiary for acquiring aids, appliances, equipment, provided they are eligible for assistance under the scheme. Similarly, members of SCs/STs satisfying the income criteria of the scheme can also avail of housing loan up to Rs. 5000/- per beneficiary over and above the loan of Rs. 6500/- available under the scheme.
4.	Reservation	SC/ST – 50% Women – 40% Disabled – 3%	SC/ST – To the extent of their proportion in the population. Women – 30% Disabled – 3%	SC/ST 22.5% OBC – 27% Preference should be given to women and other weaker sections	All scavengers and their dependents.	At least 40% of the advances should flow to SC/STs.
5.	Subsidy	30% of the project cost, maximum Rs. 7,500/- SC/ST – 50% of the project cost with a maximum of Rs.10,000/- Groups – 50% of the project cost subject to per capita subsidy of Rs.10,000/- or Rs. 1.25 lakh whichever is less.	15% of the project cost with a maximum of Rs. 7,500/-. For groups 50% of the project cost with a maximum of Rs.1.25 lakh.	15% of project cost with a maximum of Rs 7,500/-. In North East Region the ceiling on subsidy limit is Rs.15,000/-.	50% of the project cost subject to maximum of Rs.10,000/-.	No capital subsidy. Interest is charged at the rate of 4%.

6.	Margin Money	No margin money up to Rs. 50,000/- in individual cases and group loan up to Rs. 5 lakh.	5% of the project cost.	5 to 16.25% of the project cost so as to make subsidy and margin money together equal to 20% of the project cost.	Borrowers can avail margin money assistance from the State SC Development Corporation at 15% of the project cost at 4% interest. All loans up to Rs. 6500/- will be treated as DRI loan at concessional rate of interest of 4%. If the loan amount exceeds Rs. 6500/-, the entire loan will carry interest as per RBI directives.	No margin money is required.
7.	Security	For individual loans up to Rs. 50,000/- and group loans up to Rs. 5 lakh, the assets created out of bank loan would be hypothecated to the bank as primary security. In cases where moveable assets are not created mortgage of land/third party guarantee may be obtained at the discretion of the bank. For individual loan above Rs. 50,000/- and group loan above Rs. 5 lakh, suitable margin money/ collateral may be obtained.	The loan would not require any collateral guarantee. Only assets created would be hypothecated/ mortgaged/ pledged to the bank. For group loans collateral security is linked to the per capita quantum of the loan.	No collateral/ third party guarantee for projects up to Rs.1 lakh. In case of partnership firm no collateral for loans up to Rs. 1 lakh per person. Under Industry Sector projects with cost up to Rs. 2.00 lakh (the loan ceiling under PMRY) are exempted from collateral security. For partnership project in Industry Sector, collateral security is exempted up to Rs. 5 lakh per borrowal account	Hypothecation of the assets created out of the loan. The State SC Development Corporation will have second charge/*pari pasu* charge over the assets to cover their margin money loan assistance.	No collateral security/ third party guarantee required, except hypothecation of assets created out of the loan amount.
8.	Repayment	5 to 9 years with the lock in period of 3, 4, and 5 years.	3 to 7 years	3 to 7 years	3-7 years (inclusive of grace period not exceeding 6 months) depending upon the life of the assets and repaying capacity of the beneficiaries	Not exceeding five years including grace period of two years.

SGSY – Swarnjayanti Gram Swarozgar Yojana
SJSRY – Swarna Jayanti Shahari Rozgar Yojana
PMRY – Prime Minister's Rozgar Yojana
SLRS – Scheme of Liberation and Rehabilitation of Scavengers
DRI – Differential Rate of Interest Scheme

3.2 Regarding extending loans for purchase of small agricultural lands, the Committee have been informed that Reserve Bank of India has advised all scheduled commercial banks regarding the scheme for financing farmers for purchase of land for agricultural purpose based on the guidelines given by NABARD. The above scheme is applicable to farmers from the Scheduled Caste/Scheduled Tribe communities.

3.3 When asked whether introduction of new schemes after subsuming various old schemes has led to decrease in the total number of beneficiaries and the total amounts disbursed, the Committee were informed that several new schemes introduced have subsumed older schemes. For instance SGSY has subsumed IRDP, SITRA, TRYSEM, GKY, DWCRA. The percentage of reservation for SC/ST borrowers however remains unchanged and has been retained at 50% as under the erstwhile IRDP. Hence an assured percentage of credit is retained for the weaker sections. Similarly under SJSRY which has subsumed Pardhan Mantri Urban Poverty Eradication Programme (PMIUPEP), Nehru Rozgar Yojana (NRY) and the Urban Basic Services for Poor (UBSP), the percentage of SC/ST borrowers has been kept at their total percentage in the population.

3.4 When asked whether the Reserve Bank of India has considered increasing the loan amounts under various poverty alleviation schemes in the present context, it was stated that the SGSY scheme which was launched in April,1999 after review of the performance of the earlier schemes, has no loan ceiling. However, there is a ceiling on subsidy. In

case of PMRY, after review of the performance of the scheme, the loan ceiling has been increased from Rs. 1 lakh to Rs. 2 lakh in March 1999 in respect of Industry and Service sector. In respect of SJSRY, the ceiling of Rs. 50,000 is only on the project cost. Thus the major Poverty Alleviation/ Employment Generation Scheme amounts have recently been revised upward.

3.5 On the issue of enhancing the loan amount under DRI scheme, the Reserve Bank of India has stated that the matter for enhancing the ceiling of Rs. 6500/- had been examined. Loans granted at concessional interest rate of 4%, are not viable for the banks in view of high cost of funds as well as costs involved in servicing the loans. Therefore, assistance granted under DRI scheme needs to be heavily subsidized by banks.

3.6 As regards enhancement of annual income limit under DRI scheme, it was stated that the issue was taken up as the income limit was fixed in 1986 and subsequently Government had revised the poverty line definition for identifying the beneficiaries under IRDP/SGSY. However, it was decided by the Government that any increase in the income limit for the DRI scheme would result in encouraging the Bank Managers to choose better placed beneficiaries which may dilute and defeat the very purpose of the scheme. In view of this Government was not in favour of enhancing the income limit under DRI scheme.

3.7 In regard to DRI scheme losing its popularity among the borrowers, it has been stated that the scheme which is an interest subsidy scheme providing loans at 4% interest rate, may be due to the introduction of

several other Government sponsored poverty alleviation and employment generation schemes with element of capital subsidy, like SGSY, SJSRY and PMRY etc. which are more attractive to the weaker sections. Also SC/ST Corporations have their own schemes for the benefit of these communities. Furthermore, Banks are also not forced to lend at unviable rates.

B. Evaluation of Schemes

3.8 Achievements made under the various schemes/programmes implemented for extending credit facilities to SCs/STs are shown in the tables given below under separate headings :-

(i) Swarnjayanti Gram Swarozgar Yojana(SGSY)

(Rs. in lakh)

Year March ended	Total No. of people assisted	Of which SC/ST	Amount disbursed to SC/ST
2001-2002	641000	161213 (25.15%)	189961
2002-2003	719293	160916 (22.37%)	173430
2003-2004	991062	256716 (25.90%)	276443
2004-2005	1084749	285395 (26.31%)	338391

(Data received from domestic commercial banks. The figures in brackets denote % to total beneficiaries)

(ii) Swarnjayanti Shahari Rozgar Yojana (SJSRY)

(Rs. in lakh)

Year March Ended	Total loan sanctioned		Loan sanctioned to SC/ST		Loans disbursed to SC/ST	
	No.	Amount	No.	Amount	No.	Amount
2001-02	91504	28181.63	22386	6660.08	16192	4952.30
2002-03	87478	25390.74	24133	6990.56	20459	5824.55
2003-04	73887	22756.45	20639	6295.74	17977	5348.60
2004-05	61890	19926.83	16372	5005.09	13675	3983.93

(Data Received from domestic commercial banks)

(iii) Prime Minister's Rojgar Yojana (PMRY):

(Rs. in lakh)

Prog. Year	Target (Total)	Application received (Total)	Loan sanctioned to SC/ST		Loan disbursed to SC/ST	
2001-2002	347135	437445	41521	26030.90	32198	19395.55
2002-2003	312387	414001	40932	26974.52	33245	20587.96
2003-2004	335637	430961	47584	29197.23	35826	21729.70
2004-2005	375392	472528	54121	33316.28	32953	19787.30

(Data as reported by scheduled commercial banks)

(iv) Scheme of Liberation and Rehabilitation of Scavengers (SLRS)

(Rs. in lakh)

Year	Total Target Number	Loans sanctioned to SC/STs		% 3 to 2 No. of SC/ST accounts	Total disbursement to SC/ST		%age 6 to 3
		No.	Amount		No.	Amount	
1.	2.	3.	4.	5.	6.	7.	8.
2001-02	21878	13228	2224.87	60.46	11601	1839.56	87.70
2002-03	14857	10883	1988.28	73.25	9756	1703.00	89.65
2003-04	18432	8155	1564.56	39.35	6603	1169.61	80.97
2004-05	15272	8728	1852.98	57.15	7021	1399.95	80.44

(Data as reported by all implementing Public Sector banks)

(v) DRI Scheme:

No. of accounts in lakh, Amount in Rs. crore

Year ending March	Total No. of A/cs	Amount Outstanding	No. of SC/ST A/cs	Amount outstanding to SC/ST	% of SC/ST to total DRI Loans
2002	6.05	351.09	2.87	177.96	50.69
2003	3.70	300.22	1.92	145.56	48.50
2004	3.68	314.65	1.61	152.44	48.45
2005	3.33	385.27	1.63	189.54	49.20

(Data as reported by public sector banks)

3.9 Evaluation studies on the performance of SGSY, SJSRY and PMRY schemes have been conducted at periodic intervals through Regional Offices of Reserve Bank of India. The studies conducted by Reserve Bank of India under SGSY and SJSRY have revealed that lack of coordination between banks and Government Sponsoring Agencies is one

of the major reasons, which hamper the effective implementation of the scheme. Further non-completion of formalities by the borrowers due to illiteracy and lack of awareness of the guidelines for the scheme, among the officials of banks and the Government Sponsoring Agencies, are some of the important reasons causing delay in disbursement of loans under the scheme. Banks have reported that inadequate sponsoring of applications by the District Rural Development Agencies/District Urban Development Agencies and non-receipt of subsidy/delay in receipt of subsidy are the bottlenecks for smooth implementation of the schemes.

3.10 In reply to a question as to whether there has been change in the economic conditions of the SCs/STs after introduction of various poverty alleviation schemes, the RBI elaborated in a written information that Reserve Bank of India has not undertaken any evaluation study to assess the economic conditions of SCs/STs before and after inception of the poverty alleviation programmes. With a view to assessing the impact of the SGSY Scheme at ground level and whether this resulted in social capital formation in terms of improved standards of living etc, a quick study was conducted in 1999-2000 which revealed that although there was income generation from various activities to some extent, the said income was utilized for day to day need such as food, clothing etc of the beneficiaries. Government agencies did not take into account the reservation for SC/ST(50%), women (40%) and physically handicapped (3%) rendering achievement of the sub-target difficult. A quick study on SJSRY scheme was also taken up and the findings of the study were communicated to banks. This also reflected that the banks had not

achieved the sub-targets under SC/ST. The 6th field study conducted under PMRY also revealed that sufficient applications from SC/ST/OBC were not being sponsored leading to non-achievement of SC/ST sub-targets under the scheme. The major findings of the studies were advised to banks for initiating appropriate corrective measures.

3.11 Other studies have indicated that lack of proper training/ guidance to the beneficiaries resulted in taking up unviable economic activities by the individuals and groups, which have led to the unsatisfactory performance of the schemes in some areas. Further, change of activity, delay in asset creation and disposing of the assets (Milch animals) by the borrowers are some of the reasons, which have impeded the successful implementation of the schemes. Banks have also reported that the people in rural areas are still unaware of the credit facilities provided under the schemes and suggested that due publicity may be given to the schemes by Government agencies.

3.12 The following negative features observed by the RBI during a quick sample study undertaken through its 16 Regional Offices during February, 2003 to review the flow of credit to SCs/STs, have been communicated to the Banks for necessary action:

(a) As per the extant instructions Banks are required to contact SC/ST borrowers, hold meetings/workshops exclusively for SC/ST borrowers. However, since many of the branches are suffering from acute shortage of staff and some branches have no field staff so they are not in a position to do so.

(b) The Application Receipt and Disposal Register, Complaint Register etc. are not maintained in proper order.

(c) Most of the branches maintain necessary documents and pass books in Hindi and English instead of local language.

(d) Some of the branch managers have been rejecting loan applications of SC borrowers at their level though it is a mandatory requirement for rejection of Scheduled Castes / Scheduled Tribes application at a higher level.

(e) Reasons for rejection of the applications are not indicated by some of the branches.

(f) Even though income generation is there, it is utilized for consumption or medical expenses etc. and is not sufficient to repay loans, leading to poor recovery of loans.

(g) Some of the beneficiaries are under the impression that loans availed under the Government Sponsored Schemes need not be repaid and the same would be waived sooner or later as a result instances of wilful default were observed.

(h) It is reported by Kolkata Office that branches release loan component only after keeping subsidy in the fixed deposit accounts till the full repayment of bank dues thus leading to under financing to SCs/STs hampering asset creation/income generation.

(i) Circulars issued by Reserve Bank of India, NABARD are not circulated among the staff concerned for noting the contents.

Thus the staff is not aware of the instructions and no proper follow up is done.

(j) Instances of wilful default were observed in spite of the activity undertaken generated incremental income.

(k) Some bank branches have charged interest on the subsidy portion of the loan amount.

(l) Few instances of the bank branches insisting for collateral security at the time of sanctioning loans to SCs/STs under government sponsored poverty alleviation / self-employment schemes (Himachal Pradesh) have been noticed.

(m) The percentage of advances to SCs/STs to Priority Sector advances is very low in the State of Kerala i.e. 2.17%, 2.07% and 1.73% in all the three half years. Kerala State SC/ST Development Corporation has been finding it difficult to undertake any activity due to paucity of funds. Due to non-availability of funds, the Corporation is not forwarding any applications to banks.

(n) In the States in the North Eastern Region, banks do not participate in specific programme drawn by State Governments with the exception of the State of Assam, as there are no such programmes drawn by those State Governments.

(o) Some of the banks have not yet set up Special Cell for monitoring the flow of credit to SC/ST beneficiaries.

(p) The representatives of National Commission for SCs/STs are not invited for State Level Bankers Committee (SLBC) meetings by some of the convener banks viz. Andhra Bank, UCO Bank, United Bank of India, Allahabad Bank and State Bank of Patiala.

C. Monitoring and review

3.13 The Committee have been informed that the Reserve Bank of India monitors the lending to priority sectors by banks periodically through returns received from them. The flow of credit is also monitored periodically at the State level and district level through SLBC and DCC meetings respectively wherein RBI is also a member and these meetings are attended by the Reserve Bank of India Officers. Apart from this, the Lead District Officers of Reserve Bank of India contact SC/ST borrowers during the Bank Branch visits to ascertain the difficulties faced in accessing bank credit and to suggest remedial measures thereon.

3.14 The Special Programme Section in Rural Planning and Credit Department (RPCD), Central Office, Reserve Bank of India has been entrusted with the responsibility to monitor the performance of the scheduled commercial banks through the receipt of monthly/quarterly progress reports and half yearly recovery statements under the schemes such as SGSY, SJSRY, SLRS, PMRY etc. The Special Programme Section also coordinates with the Ministry of Finance, Ministry of Urban Employment and Poverty Alleviation and Ministry of Social Justice and Empowerment while evolving policies.

3.15 For monitoring and review of the flow of credit to SC/ST beneficiaries, banks have been advised thus :-

(i) A special Cell should be set up at the Head Office for monitoring the flow of credit to SC/ST beneficiaries. Apart from ensuring the implementation of the Reserve Bank of India guidelines, the Cell would also be responsible for collection of relevant information/data from the branches, consolidation thereof and submission of the requisite returns to Reserve Bank of India and Government.

(ii) Convener banks (of SLBC) should invite the representative of National Commission for SCs/STs to attend SLBC meetings. Besides, the Convener banks may also invite representatives from National Scheduled Castes and Scheduled Tribes Financial Development Corporation (NSFDC) and State Scheduled Castes and Scheduled Tribes Financial and Development Corporation (SCDC) to attend SLBC meetings.

(iii) A periodical review should be made by the Head Office of banks of the credit extended to SCs/STs on the basis of returns and other data received from the branches.

(iv) The Board of Directors should review on quarterly basis, the measures taken to enhance the flow of credit to SC/ST borrowers. The Review notes, besides indicating the actual performance of the bank during the relevant quarter, should also contain information about how the bank proposes to

expand the coverage of this sector in the context of potential for business and its network of branches with particular reference to such schemes as DRI, SGSY, etc. The review should also consider the progress made in lending to these communities directly or through the State-level Scheduled Caste/Scheduled Tribe Corporations for various purposes based, amongst others, on field visits of the senior officers from the Head Office/Controlling Offices. A copy each of such review notes should be sent to Reserve Bank.

3.16 It has further been stated that the banks have been advised vide Master Circular dated the 18th August, 2004 on “Priority Sector lending – credit facilities to SCs and STs" to have data on advances for SCs and STs under Priority Sectors and Differential Rate of Interest (DRI) scheme separately. Accordingly banks are required to submit to RBI on half-yearly basis as on the last reporting Friday of March and September a statement showing the credit extended to SCs/STs under Priority Sectors and to submit on yearly basis as on the last reporting Friday of March a statement showing the credit extended to SCs/STs under DRI scheme. The statements should reach Reserve Bank of India within two months from the end of the relevant half-year/year.

3.17 The Lead District Officers of the Regional Offices of RBI are members of the District Consultative Committee/District Level Review Committee where the review on the progress of the Government Sponsored Schemes is also undertaken. RBI is represented at the

highest level in the quarterly meetings of State Level Bankers Committee where the progress of the Schemes is reviewed.

3.18 Regarding presence of public representatives in the District Level Review Committee meeting, the Additional Secretary, Ministry of Finance during the course of evidence stated that a circular on the subject advising presence of MPs, MLAs and Chief of Zila Panchayats has been issued. The circular also envisages that the convener of District Level Review Committee will ascertain the convenience of MPs before fixing meetings. When it was pointed out that the MPs are not being invited in DLBC meetings, the representative of the Ministry of Finance assured to reiterate the circular to the concerned authorities to circulate a copy to the Hon'ble Members.

3.19 All Banks have been advised to ensure that instructions contained in the Master Circular on Credit facilities to SCs/STs are strictly followed by their bank branches while granting loans. The Committee have been informed that a High Level Committee for monitoring the performance of SGSY was constituted under the Chairmanship of Joint Secretary, Ministry of Rural Development for which Reserve Bank of India is the convener. The Committee undertake field visits to various States to understand the practical issues in operationalisation of the SGSY and to study the successful cases for evolving banking procedure for the scheme. The Government of India has also constituted a High Level Monitoring Committee under SJSRY in which Reserve Bank of India is also a member, to review the progress on flow of credit by banks under the scheme.

3.20 On the issue whether any distinction was made between defaulters and other borrowers while processing their applications, it was stated that a clear distinction is made between wilful and non-wilful defaulters under the scheme SGSY. A borrower capable of repaying the loan, but defaulting intentionally and deliberately not repaying the loan is considered wilful defaulter. Banks have been advised not to finance such defaulters under SGSY. However, non-wilful defaulters should not be debarred from receiving the loan. A team comprising the BDO or his representative, Bank Manager and the Sarpanch may certify the non-wilful defaulters.

3.21 The Committee note that Government of India had several poverty alleviation and employment generation schemes and after subsuming old schemes, only a few are operating and has led to decrease in the number of options available to the weaker sections including SCs/STs. The Committee further note that no separate schemes are available exclusively for SCs/STs either for their economic development or for development of entrepreneurship skills among them. The Committee, therefore, desire that the Ministry of Finance/RBI should coordinate with the Ministry of Social Justice and Empowerment, the Ministry of Tribal Affairs and other related Ministries to evolve new schemes exclusively for SCs/STs. The Committee hope that such a step would definitely help ensure the banks in achieving their stipulated targets and thereby achieving the goal of economic development of these classes.

3.22 The Committee observe that the Differential Rate of Interest (DRI) scheme available for the poorest of the poor living in rural, semi-urban and urban areas is losing popularity. The Committee feel that it is not because of the availability of other much attractive schemes but due to the very low limit of loan available under the scheme. The Committee also observe that the proposal for enhancing the ceiling of Rs. 6500/- under DRI scheme has been turned down on being a subsidised scheme, providing loan on concessional interest rate and due to high costs involved in servicing loans. The Committee understand that DRI scheme introduced in 1972 is the only scheme which extends loan at concessional interest rate to the weaker sections whereas all the other schemes provide loan as per guidelines and prime lending rate. Moreover, no distinction is made by both public and private sector banks in charging interest from general classes and weaker sections including SCs/STs. It is, therefore, of utmost importance that RBI should rejuvenate DRI scheme by increasing the loan amount to at least the current realistic level since it is one of the most viable schemes having great acceptance among the poorest of the poor.

3.23 The Committee are impressed that the number of SCs/STs assisted under the DRI has surpassed the percentage specified for the SCs/STs. They are however, concerned with the falling number of accounts under the scheme. The Committee are also not able to understand the logic for maintaining outstanding amount instead of

actuals relating to amounts sanctioned and disbursed under the scheme during a particular year while it has been stated at para 2.15 that in respect of government sponsored schemes the same format has been specified. The Committee recommend that the Reserve Bank of India should instruct banks to maintain figures of actual loans sanctioned and disbursed under DRI scheme during a year so that it could become easy to assess the actual performance while evaluating the scheme.

3.24 The Committee note that the SGSY scheme for the rural poor living below poverty line though has a reservation of 50% for SCs/STs, it has not even crossed the 26% mark during the last 4 years. The Committee note lack of coordination between banks and Government sponsoring agencies. The Committee feel that unless the below poverty line rural SC/ST families are covered properly, no substantial progress can be made in visualising the desired goal of economic development of these classes. The Committee, therefore, desire that a more coordinated approach needs to be adopted for achieving the percentage specified for SCs/STs under this scheme.

3.25 The Committee observe that the figures provided under SJSRY for the last 4 years depict a steady and impressive progress in the number of accounts and the loan sanctioned under the scheme for SCs/STs. The Committee, however, have not been able to understand the logic behind the difference evident between the loans sanctioned and the actual amounts disbursed to the SCs/STs. The average shortfall between the loans sanctioned and the actual

amounts disbursed is around 18%. The Committee, therefore, desire that this difference should be removed and the sanctioned amount should be released at the earliest.

3.26 The Committee note that the average shortfall between the loans sanctioned and the amount disbursed under PMRY is as high as 26%. Furthermore, considerable slump has been noticed in the actual loans disbursed to the total amount sanctioned during 2004-05, which comes to around 40%. The Committee, therefore, desire that the gap between the amounts sanctioned and the actual loans disbursed should be removed.

3.27 The Committee find the figures under scheme of Liberation and Rehabilitation of Scavengers (SLRS) are not at all impressive. There has been constant and sharp decline in the number of SCs/STs benefitted and the loans sanctioned. The Committee also do not understand the phenomenon behind the sharp decline in the number of SC/ST benefitted during 2003-04 as compared to the year 2002-03. The Committee, desire that reasons, behind abnormal slump should be examined and the different coordinating agencies should aim at arresting the decline trend in this regard. The Committee desire that the Schemes for Rehabilitation of Scavengers should be re-examined so that these can really achieve their purpose.

3.28 The Committee note that studies conducted under SGSY, SJSRY have revealed that non-completion of formalities by borrowers, lack of awareness both among the beneficiaries and the

officials of sponsoring agencies coupled with inadequate number of applications are the major factors hampering effective implementation of the schemes. The Committee are deeply concerned to note that the different implementing agencies have not been able to remove these bottlenecks. The Committee are of the considered view that until and unless responsibilities are fixed among various functionaries, the implementation of the schemes would continue to be hampered. The Committee, therefore, recommend that the bank officials and officials of other agencies be given specific responsibilities to remove these bottlenecks to improve results.

3.29 The Committee find that the Reserve Bank of India has not undertaken any evaluation study to assess the economic conditions of SCs/STs before and after inception of poverty alleviation programmes. However, other studies have revealed that lack of proper training and guidance have led to pursuing unviable economic activities by beneficiaries. The Committee also note that SGSY study conducted in 1999-2000 has established that income generated was utilized in food and clothing by beneficiaries. The Committee feel that if a study is conducted to assess the impact of the schemes of SCs/STs more glaring findings would come to light. The Committee, therefore, recommend that an exclusive study should be undertaken to find the change in the condition of SCs/STs so that the findings could be used to plug the shortcomings and to

introduce more viable schemes commensurate with the needs of the SCs/STs.

3.30 The Committee appreciate the efforts made by Reserve Bank of India in plugging the loopholes in effective implementation of various schemes by banks. The Committee, however, are distressed at high number of discrepancies observed during study conducted despite clear guidelines issued by Reserve Bank of India from time to time. The Committee wonder as to why the banks are not following the guidelines properly. The Committee, therefore, recommend that Ministry of Finance should issue instructions for fixing of responsibility on bank officials and the Reserve Bank of India should consider imposing penalties on banks which do not abide by the guidelines.

3.31 The Committee note that the Reserve Bank of India has a vital role to play in the flow of credit to the SCs/STs since it frames the guidelines and monitors the performance of banks. The Committee, further note that representatives of RBI are Members of the District Consultative Committees/District Level Review Committees set up to review the progress of Government sponsored schemes. The RBI is also represented at the highest level in the quarterly meetings of State Level Bankers' Committees. Despite their importance and presence in various Committees for reviewing the progress of schemes, RBI has not been able to persuade banks to reach the optimal limit in credit lending to weaker sections. The Committee are surprised to find that even the measures suggested by RBI have not

been actually followed by banks. This is evident from their own studies which established various discrepancies that were prevalent in banks. Non-realisation of the targets set for the scheduled commercial banks could be that the Rural Planning and Credit Department in the RBI has failed to effectively monitor the performance of various schemes and suggest subsequent remedial measures. The Committee recommend that RBI should strengthen their monitoring system so that the banks improve lending to weaker sections especially SCs/STs. The Committee also advise RBI to lay norms so that exploitation of SC/ST beneficiaries during sanctioning and disbursal of loans is totally removed.

3.32 The Committee are dismayed by the fact that the circular issued by RBI to have public representatives in the District Level Review Committee has been ineffective as the Members of Parliament were not being invited to meetings of such Committees or the convenience of Members of Parliament to attend such meetings was not sought. Attendance of public representatives especially of Members of Parliament could help banks in popularising and proper implementation of schemes. The Committee, therefore, recommend that before fixing the meetings of the District Level Review Committees, the convenience of Members of Parliament of the area should be sought and their presence in such meetings should also be ensured by the Convener. The Lead District Officers of the Regional Offices of RBI can also play a positive role in this regard.

CHAPTER - IV

A. Publicity and Awareness

4.1 For creating awareness among SC/ST people about the schemes available, RBI has advised all its Regional Offices to translate the Master circular dated July 1st, 2005 on credit facilities to SCs/STs in the local languages and circulate it among the commercial banks, agencies like District Rural Development Agency (DRDA) in the State, local MLAs/MPs and make all possible efforts to create awareness of the instructions issued by RBI/Government. NABARD has also been advised to circulate the said translated circular to Regional Rural Banks and Cooperative Banks and make all possible efforts to create awareness of the instructions issued by Government of India/Reserve Bank of India. All the banks have been advised as under:

(a) to ensure that sufficient publicity is given on the facilities extended to SCs/STs so as to bring awareness among the poorer sections of the society.

(b) to make all out efforts in achieving the targets set for increasing the credit flow to SCs/STs under priority sector advances as well as under the Government Sponsored Schemes such as SGSY, SJSRY, SLRS and PMRY.

4.2 The Reserve Bank of India has instructed the banks that in order to encourage SC/ST borrowers to take advantage of credit facilities, greater awareness among them about various schemes formulated by banks will have to be created. As a majority of the eligible borrowers would be illiterate persons, publicity through brochures, other literature, etc. well be

of limited utility. The more desirable method would be for the field staff of banks to contact such borrowers and explain to them the salient features of the schemes as also the advantages that will accrue. Banks should advise their branches to organize meetings more frequently exclusively for SC/ST beneficiaries to understand their credit needs and to incorporate the same in the credit plan.

4.3 Asked what could be done towards aggressive publicising various schemes for SCs and STs through electronic and print media, it has been stated that since a majority of eligible borrowers are illiterate persons, suitable advertisements, rural melas, farmers' club, etc. can be used for publicising various schemes. The electronic media in regional/local languages can give wide publicity to the schemes.

4.4 While clarifying on the issue, the representative of the Ministry of Finance during evidence, submitted:-

> "……the banks undertake large number of orientation programmes in which we try to educate the beneficiaries as well as the developmental agencies about the benefits and the facilities available under each scheme…. As far as banks are concerned, they have less field level staff. They have staff mainly in the branches. But these staff cannot go and take extension work. Extension work is largely the responsibility of the State Government. All banks have been told very categorically by the Reserve Bank of India that they must take steps to educate developmental agencies to make sure that the applications are properly taken care of".

4.5 Clarifying on the issue of apprehension of the Committee regarding issue of lack of awareness, the Governor, Reserve Bank of India during evidence clarified that:

> "……as far as awareness is concerned,…… there is a scope for doing a lot more…… we will go back and we will try to work on it… we will see how we are able to bring about greater awareness….. As you said whether it should be centralised or decentralised. Ideally, perhaps it should be at the State level, but we will look at that".

4.6 Submitting further, the Governor, Reserve Bank of India admitted during evidence:

> "…. I have already indicated that we will make sincere efforts because in some ways we will be able to empower those with this awareness. To be honest, given the current institutional mechanism, I am not confident whether awareness will change the scenario given the structural constraints".

B. Training

4.7 RBI conducts programmes for bank officers in its training institutes. Banks have been advised to set up training institutes in the lines of Rural Development and Self Employment Training Institute "RUDSETI" jointly with the State Governments by utilizing their existing infrastructures of ITIs, SISIs. Banks also train the SC/ST beneficiaries. Banks have been advised to circulate all RBI/NABARD instructions among the staff for compliance.

4.8 RUDSETI was sponsored by Syndicate Bank and Canara Bank. As on 31.3.2005, RUDSETI has so far trained 1,55,841 unemployed youth through 4791 self employment training programmes. About 95% of them are from rural, semi-urban background. Out of the total candidates trained 31543 candidates belong to Scheduled Castes and Scheduled Tribes, 14466 are from minority communities and 60167 from other backward classes. In the composition of weaker sections, Scheduled Caste/Scheduled Tribes constituted 23%, minorities 7% and other backward classes constituted 45% of the total trainees. During the year, 10525 RUDSETI trained candidates initiated small and micro enterprises. Other banks have also established training institutes for this purpose. Andhra Bank has established rural development institutes in Andhra Pradesh and Orissa. Bank of Baroda has established 5 BSV training centres for training unemployed youth under PMRY and SGSY. Dena Bank has operationalised DENA RUDSETI at Mehsana in Bhuj. Indian Bank has set up Micro-credit Kendras and a Training College IMAGE in Chennai for training the staff as well as beneficiaries under the schemes.

4.9 The Committee note with concern that the efforts made by the Reserve Bank of India in the form of advisories/instructions to banks for creating awareness among SC/ST beneficiaries about availability of the credit schemes has not been able to generate the desired level of awareness amongst the beneficiaries. The Committee are surprised that on one hand the Reserve Bank of India has advised banks over the importance of field staff of Banks to contact such borrowers and explain them the salient features of schemes

available whereas the representative of the Ministry of Finance during evidence submitted that the banks can not take extension work owing to manpower limitations. Similar observation was also of the Governor, RBI when he stated that a lot more is needed to be done for creating greater awareness but at the same time he expressed the limitation of structural constraints. The Committee desire that the RBI and the Ministry of Finance should evolve a joint strategy to make use of the manpower and facilities of the State Governments more effectively if the field staff of banks are not available to contact SC/ST borrowers and explain them about the salient features of the schemes and advantages thereof. The Committee are happy that circulars for aggressive campaigns to publicise the schemes through electronic and print media, rural melas, farmers club have already been issued by RBI. The Committee would, therefore, like all banks to undertake such exercise seriously and regularly.

4.10 The Committee further recommend that highly proficient and professional public relation experts should be deputed to prepare specialized brochures on the kind of facilities that are available and the kinds of frequently asked questions and answers to them in local languages apart from Hindi and English. As regards the level at which such campaigns should be undertaken, the Reserve Bank of India should come up with an effective suggestion.

4.11 The Committee note that the Reserve Bank of India conducts training programmes for Bank Officers in its training institutes. The

Committee further note that banks have been instructed to circulate instruction of RBI/NABARD for compliance. The Committee, however, observe that the findings of studies undertaken by RBI have established the ignorance of the concerned staff about guidelines/instructions. The Committee feel that efforts of RBI may not bear fruit if all the bank staff associated with the process of credit lending to SCs/STs are not imparted training about the schemes and the steps to be undertaken to improve lending. The Committee, therefore, recommend that Reserve Bank of India should advise the banks to select competent officers/staff for facilitating lending to SCs/STs and nominate them for specialised training in the RBI run institutes.

4.12 The Committee are happy to note that some banks have undertaken special self employment training programmes for the unemployed youth from the rural and semi-urban backgrounds so as to enable them to take advantage of the credit facilities available and establish themselves. The Committee recommend that the Reserve Bank of India should advise all the remaining scheduled Commercial Banks to establish such training facilities and see that more and more SCs/STs are imparted effective training.

(RATILAL KALIDAS VARMA)
CHAIRMAN
Committee on the Welfare of
Scheduled Castes and
Scheduled Tribes

New Delhi
26th April, 2007
6 Vaisakha, 1929(Saka)

APPENDIX – A

F.No.9/27/2004-B.O.I.
Government of India
Ministry of Finance
Department of Economic Affairs
(Banking Division)

New Delhi, dated the 25th February, 2005

To
The Chief Executives of the Nationalised Banks

Subject: Appointment of Non-official Directors belonging to SC/ST community on the Boards of Nationalised Banks – Recommendations made by the Parliamentary Committee (Lok Sabha) on the Welfare of Scheduled Castes and Scheduled Tribes.

Sir,

I am directed to say that apart from two whole time directors, Government director, Reserve Bank of India director, Workmen director and Officer Employee director, as per the provisions, Section 9(3) (g) (h) and (i) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, the Board of a Nationalised Bank also includes:-

(g) one part time non official director – who has been a Chartered Accountant for not less than 15 years to be nominated by the Central Government after consultation with the Reserve Bank of India;

(h) not more than six part time non official directors, to be nominated by the Central Government;

(i) in the case of those banks which have raised capital by public issue of shares, these 6 part-time non-official directors who were appointed under clause (h) above shall be replaced in a phased manner by directors elected by the share-holders other than the Central Government, as indicated below:-

(a)	Where not more than 20% of the paid up capital is held by the public	Not more than 2 directors
(b)	Where more than 20% but not more than 40% of the paid up capital held by the public	Not more than 4 directors
(c)	Where more than 40% of the total paid up capital is held by the public	Not more than 6 directors

The appointment of non-official directors on the Boards of Banks is made in accordance with the criteria and procedures prescribed in the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970/1980. These acts do not specifically provide for any reservations for persons belonging to SC/ST categories on the Boards of concerned banks. However, guidelines have been framed for selection of part-time non-official Directors. In the guidelines it has been mentioned that as far as possible representation may also be given to persons belonging to SC/ST community. The Parliamentary Committee (Lok Sabha) on the Welfare of the SC/ST in its first report (14th Lok Sabha) has recommended that Government should arrange to appoint at least two persons belonging to the SC community and one persons belonging to the ST community as Directors on the Board of Directors of the Banks. You are, therefore, advised to keep in view the above recommendation made by the Committee while sending recommendations for appointment as part time non-official directors.

The receipt of this letter may please be acknowledged.

Yours faithfully,

sd/-
(G.B. SINGH)
Under Secretary to the Government of India

For necessary action and compliance to:

1. The Chairman, State Bank of India, Mumbai
2. The Managing Directors of Associate Banks of State Bank of India
3. The Chairman & Managing Director, National Housing Bank, Head Office, New Delhi
4. The Chairperson, NABARD, Head Office, Mumbai.
5. The Executive Director, DICGC, Head Office, Mumbai

sd/-
(G.B. SINGH)
Under Secretary to the Government of India

APPENDIX – B

MINUTES

COMMITTEE ON THE WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES (2005-2006)

(FOURTEENTH LOK SABHA)

SECOND SITTING (9.6.2005)

The Committee sat from 1130 hrs. to 1200 hrs.

PRESENT

Dr. Satyanarayan Jatiya - Chairman

MEMBERS

LOK SABHA

2. Shri M. Appadurai
3. Shri Biren Singh Engti
4. Shri Faggan Singh Kulaste
5. Shri G.V. Harsha Kumar
6. Shri Bir Singh Mahato
7. Shri Rajesh Kumar Manjhi
8. Shri Jual Oram
9. Shri Baju Ban Riyan
10. Dr. (Col.) Dhani Ram Shandil
11. Shri Sugrib Singh
12. Shri Lalit Mohan Suklabaidya
13. Shri Ramjilal Suman
14. Shri Ratilal Kalidas Varma

RAJYA SABHA

15. Dr. Faguni Ram
16. Shri Sharad Anantrao Joshi
17. Shri Narayan Singh Kesari
18. Shri Ram Nath Kovind
19. Shri Lalhming Liana
20. Shri Moolchand Meena
21. Shri Faqir Chand Mullana
22. Shri Nandi Yellaiah

SECRETARIAT

1. Shri R.C. Ahuja, Joint Secretary
2. Shri Gopal Singh, Deputy Secretary
3. Ms. J.C. Namchyo, Under Secretary

WITNESSES

MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS – BANKING DIVISION)

1. Shri Vinod Rai, Additional Secretary(FS)
2. Ms. Pradeep Bolina, Director (Dev. & RRB)

RESERVE BANK OF INDIA (RBI)

1. Shri A.V. Sardesai, Executive Director

2. At the outset, the Chairman welcomed the representatives of the Ministry of Finance (Department of Economic Affairs – Banking Division) and the Reserve Bank of India (RBI).

3. The Committee then expressed their displeasure over the absence of the Governor of the Reserve Bank of India for the evidence. They also strongly criticised the manner in which permission had been sought for allowing the Executive Director to represent the Reserve Bank of India without assigning any reasons for the absence of the Governor, Reserve Bank of India. Taking serious note, the Committee unanimously decided to postpone the sitting to a later date and informed the representatives of the Ministry of Finance and the Reserve Bank of India accordingly. The Committee also decided that a letter be sent to the

Ministry of Finance expressing their displeasure over the absence of the Governor from the sitting.

4. The witnesses then withdrew.

5. A verbatim record of the proceedings was kept.

The Committee then adjourned.

APPENDIX – C

MINUTES

COMMITTEE ON THE WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES (2005-2006)

(FOURTEENTH LOK SABHA)

THIRD SITTING (18.7.2005)

The Committee sat from 1130 hrs. to 1430 hrs.

PRESENT

Dr. Satyanarayan Jatiya - Chairman

MEMBERS

LOK SABHA

2. Shri S. Ajaya Kumar
3. Shri M. Appadurai
4. Shri Biren Singh Engti
5. Shri Bir Singh Mahato
6. Shri Rajesh Kumar Manjhi
7. Shri Rupchand Murmu
8. Shri Jual Oram
9. Shri Ashok Kumar Rawat
10. Shri Baju Ban Riyan
11. Dr. (Col.) Dhani Ram Shandil
12. Shri Ramjilal Suman
13. Shri Ratilal Kalidas Varma

RAJYA SABHA

14. Dr. Faguni Ram
15. Shri Sharad Anantrao Joshi
16. Shri Robert Kharshiing
17. Shri Ram Nath Kovind
18. Shri Moolchand Meena
19. Shri Faqir Chand Mullana
20. Shri Nandi Yellaiah

SECRETARIAT

1. Shri R.C. Ahuja, Joint Secretary
2. Shri Gopal Singh, Deputy Secretary
3. Ms. J.C. Namchyo, Under Secretary

WITNESSES

MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS – BANKING DIVISION)

1. Shri Vinod Rai, Additional Secretary(FS)
2. Ms. Pradeep Bolina, Director (Dev. & RRB)
3. Shri M. Venkateswarlu, Under Secretary

RESERVE BANK OF INDIA (RBI)

1. Dr. Y.V. Reddy, Governor
2. Shri A.V. Sardesai, Executive Director

2. At the outset, the Chairman welcomed the representatives of the Ministry of Finance (Department of Economic Affairs – Banking Division) and the Reserve Bank of India (RBI).

3. The Committee then sought clarification from the Governor, Reserve Bank of India for his absence in the previous meeting scheduled on 9 June, 2005. The Governor, Reserve Bank of India rendered an unconditional apology which was accepted by the Committee.

4. The Committee thereafter took evidence of the representatives of Ministry of Finance (Department of Economic Affairs – Banking Division) and Reserve Bank of India (RBI) on the subject “Credit

facilities provided by the Nationalised Banks to the Scheduled Castes and Scheduled Tribes". The evidence was concluded.

5. The witnesses then withdrew.

6. A verbatim record of the proceedings was kept.

The Committee then adjourned.

APPENDIX – D

MINUTES

COMMITTEE ON THE WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES (2006-2007)

(FOURTEENTH LOK SABHA)

THIRTEENTH SITTING

(12.03.2007)

The Committee sat from 1500 to 1545 hrs.

PRESENT

Shri Biren Singh Engti – In the Chair

MEMBERS

LOK SABHA

2. Shri Anandrao Vithoba Adsul
3. Shri Eknath M. Gaikwad
4. Dr. P.P. Koya
5. Shri Rajesh Kumar Manjhi
6. Shri Baju Ban Riyan
7. Dr. (Col.) Dhani Ram Shandil
8. Shri Vanlalzawma

RAJYA SABHA

9. Shri Surendra Lath
10. Shri Lalhming Liana
11 Shri Harendra Singh Malik
12. Dr. Radhakant Nayak
13. Smt. Maya Singh
14. Shri Veer Singh

SECRETARIAT

1. Shri P.K. Misra, Joint Secretary
2. Shri Gopal Singh, Director
3. Ms. J.C. Namchyo, Deputy Secretary
4. Smt. Maya Lingi, Under Secretary

At the outset, the Committee were informed by the Director that Shri Ratilal Kalidas Varma, Chairman was out of station for some urgent work and, therefore, would not attend the sitting. As provided in Rule 258(3) of Rules of Procedure and Conduct of Business in Lok Sabha, Shri Biren Singh Engti, M.P. was chosen by the Committee to preside over and act as Chairman for the sitting.

2. The Committee then considered the draft report on the subject "Reserve Bank of India – Credit Facilities provided by the Nationalised Banks to the Scheduled Castes and Scheduled Tribes" and adopted the same with minor modifications.

3. The Committee also authorised the Chairman to finalise the report in the light of consequential changes and present the same to both the Houses of Parliament.

The Committee then adjourned.

APPENDIX – E

(*Vide* para of Introduction)

Summary of Conclusions/Recommendations

Sl. No.	Para No.	Conclusions/Recommendations
1.	2.	3.
1.	1.18	The Committee note that the State is constitutionally liable to promote the educational and economic interests of Scheduled Castes and Scheduled Tribes. These provisions being part of Directive Principles of State Policy, cannot be enforced by courts. The Committee, however, observe that the progress of economic development of SCs/STs has been very slow even after a period of 58 years of independence of the country has gone by. It is painful to note that 38.47% of SCs and 34.75% of ST, are still living below poverty line in urban areas and 36.62% of SCs and 45.86% of STs in the rural areas as per Tenth Five Year Plan Period (2002-07). The Committee, therefore, opine that until and unless the Government seriously decide to set a time frame to fully achieve the objectives, in a phased manner, problem would continue to persist as ever.
2.	1.19	The Committee note that the coverage of banking system in India seems inadequate as the existing banking institutions have not been able to penetrate the rural areas fully due to various reasons as admitted by Governor, RBI. The development programmes linked with credit to SCs/STs depend much on cooperation between the Government and the Banking system. The Committee, therefore, desire that immediate steps should be taken to improve the flow of credit to SCs/STs with much improved delivery system especially in the rural areas. The Committee, further, desire that a study may be made as to know the

		reasons for the failure of banking institutions in not being able to fully cover the rural poor for providing credit and to suggest corrective measures thereto.
3.	1.20	The Committee note the apprehension expressed by the Governor of the Reserve Bank of India during evidence that providing loan to people living below poverty line who are unable to generate surplus would be doing injustice to the depositors' money and that it is one of the limitations with regard to penetration of banks. The Committee feel that the apprehension among the Banking Institutions may be misconceived because these borrowers form a very small part of the credit lending process and only they are not to be blamed entirely for Non Performing Assets (NPAs) of banks. Instead the Committee desire that the Government and the Banking institutions should help the poor SC/ST beneficiaries to develop their skills on stipend basis prior to flow of credit to them or make the training part as a must for credit flow process so that the poor SCs/STs could sustain themselves as well as repay loans.
4.	1.21	The Committee regret to note that there is no separate Cell in the Reserve Bank of India to look after the credit needs of SCs and STs exclusively. The Committee feel that the Rural Planning and Credit Department of Reserve Bank of India should be sensitised to the needs of SCs/STs so that justice can be done to the complex economic problems of these people. The view is further strengthened by the admission made by the Governor, RBI that much depends on the actual cooperation between the Government and the Banking system and that there has been some problem of inadequate flow of credit to SCs/STs. The Committee, therefore, desire that the Rural Planning and Credit Department of the Reserve Bank of India should address the issue properly and more vigorously by making thorough study of the problems faced in extending full credit facilities to SCs/STs.
5.	1.22	The Committee note that there are no provisions for appointment of SC/ST member

		either on the Board of Reserve Bank of India or on the Board of nationalized banks in the relevant Acts. The Committee note that guidelines framed for selection of part-time non-official Directors have only a reference to giving representation to persons belonging to SC/ST community but wonder whether the banks have taken the guidelines seriously in the absence of specific mention either about the number of them to be placed on the board or a time frame set for such appointments. The Committee while examining various banks during study visits have also noted that these guidelines simply appear to remain on paper. The Committee, therefore, recommend that the Government should devise an effective system to ensure that two Directors from SC community and one Director from ST community are invariably appointed as part-time non-official Directors both on the Board of Reserve Bank of India and on each of the Boards of nationalised banks at the earliest.
6.	1.23	The Committee observe that the Board of Directors play a major role in chalking out the priorities and the style of functioning of the banks. The Committee also note that Reserve Bank has issued guidelines making the Board of the banks responsible for achieving targets. The Committee further note that Reserve Bank of India nominated Directors appointed on the Board of nationalised banks may give suggestions on an issue for consideration of the Board. The Committee conclude that Reserve Bank of India nominated Directors have been assigned a great role of chalking out strategies/giving suggestion on issues to the Board which overall controls the functioning and the priorities of the banks. However, in reality the Committee find with dismay that the role of the nominated Directors is restricted to that of providing a framework only. Not much appears to have been done by these Directors in chalking out strategies for extending flow of credit to weaker sections of the society especially SCs/STs. The Committee, therefore, suggest that since banks fall under the administrative control of the Ministry of Finance and the Reserve Bank of India monitors various aspects relating to

		implementation of schemes by banks, the Ministry of Finance and the Reserve Bank of India should play more active and aggressive role in promoting the flow of credit to SCs/STs through their Directors on Board in such a manner that the stipulated targets are always achieved.
7.	2.24	The Committee note that banks are required to channelise 10% of their net bank credit to economically weaker sections including SCs/STs from within the overall target of 40% specified for providing credit to the priority sector. The Committee view that the meagre credit target of 4% of the net bank credit does not seem sufficient to cater to the vast population of the economically weaker sections. The Committee note that no separate funds have been earmarked exclusively for the SCs/STs even though there are no constraints in instructing banks in this regard. The Committee, therefore, strongly recommend that the Government/Reserve Bank of India should either increase the share of weaker sections in credit lending target under priority advances considering their vast numbers or earmark separate funds to cater for the credit needs exclusively of the SCs/STs in proportion to their population under lending to priority sector advances since almost 40% of them continue to live below poverty line.
8.	2.25	The Committee observe that domestic banks, constituting both public sector and private sector banks, have specified targets for lending under the priority sector advances, agricultural advances and advances to weaker sections etc. whereas foreign banks have specified targets under the priority sector advances but no targets have been fixed for them under agricultural advances and advances to weaker sections. The Committee are unhappy to note that foreign banks which have been allowed to do business in India have not been given specified targets either under the agricultural sector, considered to be the backbone of Indian economy or under advances to weaker sections, as has been done in case of domestic banks. The Committee, therefore, suggest that guidelines should be issued to

		direct the foreign banks also for lending under agricultural advances and advances to weaker sections.
9.	2.26	The Committee appreciate the efforts of RBI to have all the current instructions at one place in a master circular incorporating therein all the existing guidelines/instructions to be followed by commercial banks in order to make them effective and less complicated. The Committee also note that any new development that may occur is incorporated on yearly basis in the master circular and efforts are also being made to put them on website. The Committee, while viewing it as a commendable exercise desire that inspection exercise should also be performed periodically to assess whether the existing instructions/guidelines are being applied by the bank officials in reality.
10.	2.27	The Committee observe that Lead District Officers at Regional Offices of the Reserve Bank of India have to ascertain the problems faced by SC/ST borrowers in accessing bank credit and the information collected by them are maintained at the Regional Offices of the RBI. The Committee, desire that Regional Offices of the RBI should be advised to transmit all such data to the RPCD, if not already done, so that it could be utilised in evolving effective strategy to minimize bottlenecks in accessing bank credit.
11.	2.28	The Committee note that though public sector banks, have in aggregate surpassed the lending target under the priority sector advances during the year ending March 2003, March 2004 and March 2005, they are yet to achieve the prescribed target of 10% to be channelised to the weaker sections from within their net bank credit of 40% under priority sector advances. The total credit to weaker sections during the above period were 6.84%, 6.94% and 8.72% whereas that of SCs and STs were only 2.70%, 2.57% and 2.50% respectively. The Committee further note that the data in regard to lending under priority sector advances by private sector banks shows that they have not made much progress in this

regard even though they have also been given the same targets to achieve under Priority Sector advances and sub-targets under advances to weaker sections as in case of public sector banks. The Committee desire that the Reserve Bank of India should ensure that both the public and private sector banks earnestly strive to achieve the targets stipulated under the priority sector advances to weaker sections in letter and spirit.

12. 2.29 The Committee are perturbed to note that the percentage of credit to SC/ST beneficiaries within the weaker sections has been declining even though the credit under advances to weaker sections has shown an increasing trend during the last three years (2003, 2004 and 2005) more particularly in the year ending March, 2005. The sharp decline in the percentage of credit to SC/ST in relation to the total credit to weaker sections from 39.54% (2003) to mere 28.69% (2005) is a matter of great concern to the Committee. This decline shows that the efforts reported to have been made by the RBI/Ministry of Finance to improve lending to SCs/STs have failed and has led to sharp decline of around 8.47% during the last 2 years. The Committee, therefore, earnestly desire that concerted efforts should be made to arrest the decline and the lending to SCs/STs within the weaker sections should be improved and sustained at least between 3% to 4%.

13. 2.30 The Committee note that allocation to banks for contribution to Rural Infrastructure Development Fund (RIDF) is made on the basis of their shortfall in priority sector/lending to agriculture. They however, regret to note that shortfall in lending to weaker sections has not yet been considered for making allocation to banks in the RIDF. The Committee feel that in the absence of strict stipulation for banks to contribute to RIDF in case of shortfall in lending to weaker sections, neither the objective of economic upliftment of the weaker sections would be achieved nor the banks could be compelled to fulfill targets. The Committee, therefore, strongly recommend that shortfall in lending to weaker sections may also

be taken into consideration for making allocation to banks in RIDF and as and when separate funds under priority sector are earmarked for SCs/STs exclusively, shortfall in lending to these deprived classes, be also reckoned for contribution by banks to the RIDF.

14. 2.31 The Committee further note that the rate at which interest is paid to the banks on their contribution to RIDF is inversely proportional to the extent of shortfall. The Committee, feel that this stipulation has not produced the desired pressure on banks so as to propel them to achieve the targets fixed for them. No other strategy also seems to exist for banks which continuously fail to achieve targets. It may perhaps be this reason that the banks are yet to achieve the targets stipulated for weaker sections. The Committee, therefore, recommend that Reserve Bank of India should make stringent guidelines enunciating therein that no interest would be allowed on contribution to RIDF in case the banks fail to achieve the targets stipulated for weaker sections for consecutive years.

15. 2.32 The Committee observe that the Rural Infrastructure Development Fund is utilized in the form of loans to State Governments for development of rural infrastructure such as rural roads, bridges, mines, irrigation projects, soil conservation and flood protection etc. No amount, however, has been earmarked for specific development of SCs/STs. The Committee feel that if some portion of the Rural Infrastructure Development Fund is specifically set aside for the development of areas/villages inhabited by the weaker sections including the SCs/STs, it would perhaps make good the shortfall in achievement of targets under advances to weaker sections to some extent.

16. 2.33 The Committee note with surprise that RBI follows different formats under MIS for collating data in respect of credit given to SCs/STs under priority sector lending and in respect of Government sponsored schemes. Under MIS for priority sector lending as a whole, RBI collates data in respect of outstanding credit to SCs/STs whereas in case of Government

		schemes, the formats for MIS as prescribed by the Government cover data in respect of loans sanctioned and disbursed by banks to SCs/STs as a whole. The Committee feel that only maintaining figures of loans outstanding to SCs/STs may not provide a clear perspective of the loans disbursed and the number of persons extended loans during a certain year thereby completely depriving the Reserve Bank of India either to assess the impact or propose necessary measures. The Committee, therefore, desire that MIS system may suitably be upgraded to collect figures of both the loans disbursed and the number of people helped both for weaker sections and SCs/STs separately.
17.	2.34	The Committee note that lack of credit delivery network in the rural and semi-urban areas has resulted into exploitation of weaker sections, including SCs/STs, leading to suicide by farmers. The Governor, Reserve Bank of India has also admitted to this fact during the course of his evidence before the Committee. The Committee have further noted that private money lenders have played a big role in exploitation of the weaker sections of the society. The Committee have also been informed that only State Legislatures are empowered to make laws on the subject since it is listed under Entry 30 of the List II, Seventh Schedule of the Constitution and that the Reserve Bank of India has no authority to regulate money lending or issue any guidelines thereto. The Committee, however, note that despite 'Bombay Money Lenders Act, 1946' in force in Maharashtra the law does not seem to be enough to stop the debt related deaths of farmers. The Committee opine that the Constitution of India in the form of Article 252 is perhaps the solution to the problem as this empowers the Union Government to legislate on any item not enumerated in the Union List. The Committee therefore desire that a comprehensive study of the credit delivery system to the weaker sections of the society may be undertaken by Reserve Bank of India and corrective steps should be taken to ensure an efficient and strong credit delivery system.

18.	2.35	The Committee are happy to note that the Reserve Bank of India has been providing relief measures through the scheduled banks to the people either affected by natural calamities or indebted to money lenders. The Committee also agree with Governor, RBI that the best solution to the problem of money lending is to increase credit lending through banks and co-operatives. The Committee, therefore, recommend that the Government should ensure that the targets fixed for priority sector lending are fulfilled every year and that the lending targets fixed under advances to agriculture sector are revised to improve and expand the credit delivery network.
19.	2.50	The Committee note with concern that despite involvement of multiple agencies like State Scheduled Castes/Scheduled Tribes Development Corporations, Banks, Ministry of Finance (Banking Division) and Reserve Bank of India, the dream of achieving stipulated targets under advances to weaker sections has not been achieved. As admitted by the Governor, RBI, there is lack of coordination among the different agencies and lack of awareness among borrowers. The Committee also find that the responsibility of achieving targets has been fixed on the banks whereas the loan proposals of SC/ST borrowers are generally channelised through SC/ST Development Corporations. Further though Field Officers play significant role in identification of beneficiaries, yet the banks decide on the clearance of a loan proposal. The Committee feel that the system of some loan proposals passing through multiple agencies is quite confusing and that a more smooth and easy system needs to be evolved. The Committee, therefore, recommend that banks and all the agencies should have regular interface so as to exchange knowledge and views to improve upon the delivery system of bank credit to SC/ST beneficiaries.
20.	2.51	The Committee note that the Public Sector Banks take 2 weeks' time for clearing a loan proposal up to Rs. 25,000/- and for those over Rs. 25,000/- they take 8 to 9 weeks time. In case of only SGSY scheme a loan proposal is

		disposed off within 2 weeks and in any case not later than one month. This is despite the fact that the loan proposals are channelised through different agencies only after fullfilment of the required conditions. The Committee further note that most of the banks are gradually adopting single window concept. The Committee are of the view that since the banks have adopted single window system, the processing time for all loan proposals should accordingly be reduced to a maximum of 2 weeks. The Committee, therefore, desire that the Reserve Bank of India should issue necessary directions in this regard.
21.	2.52	The Committee are unhappy to note that the Reserve Bank of India advises the banks to extend assistance to loan seekers free of cost, whereas it appears that under SGSY, some sort of processing fee is being charged from SC/ST borrowers since it has been stated that the Swarojgaris are entitled to a waiver of the 0.5% processing cum-monitoring fee on prompt loan repayments. The Committee, therefore, strongly recommend that the Reserve Bank of India should issue similar instructions that no processing fee should be charged from the SC/ST borrowers.
22.	2.53	The Committee observe that the response to the proposal to instruct banks for fixing responsibility on senior managers in the event of not achieving targets especially for SCs/STs has not been clear. The Committee have been apprised that credit flow being linked to performance of bank managers is reflected in their CRs and administrative action, if any, to be taken, is decided by individual banks themselves. The Committee consider that the collective responsibility of Board of Directors is not enough and that senior Managers may also be given the responsibility to achieve targets. The Committee, therefore, desire that the Ministry of Finance should pursuade the banks to fix responsibilities on their senior managers for achieving targets.
23.	2.54	The Committee note that SC and ST Development Corporations working in States/UTs are striving for economic

development of SCs/STs. The Committee note that their functions include identifying the eligible SC/ST beneficiaries, motivating them to undertake development schemes, sponsoring their schemes to financial institutions for credit support, providing financial assistance in the form of margin money at low interest rates, providing subsidy out of Central funds received under SCP and TSP etc., and facilitating loans by tying up with local banks, NSCFDC, NSTFDC and NSKFDC. The Committee observe that despite several functions entrusted to SC/ST Development Corporations, the objective of helping the SC/ST beneficiaries does not seem to have been achieved as sufficient number of SC/ST people have still not been covered. Non-achievement of stipulated targets is reported to be due to non-sponsoring of sufficient applications to banks by State SC/ST Development Corporations. The Committee, therefore, recommend that banks should rework their strategy to induce the SC/ST Development Corporations in sponsoring sufficient number of applications from SC/ST beneficiaries.

24. 3.21 The Committee note that Government of India had several poverty alleviation and employment generation schemes and after subsuming old schemes, only a few are operating and has led to decrease in the number of options available to the weaker sections including SCs/STs. The Committee further note that no separate schemes are available exclusively for SCs/STs either for their economic development or for development of entrepreneurship skills among them. The Committee, therefore, desire that the Ministry of Finance/RBI should coordinate with the Ministry of Social Justice and Empowerment, the Ministry of Tribal Affairs and other related Ministries to evolve new schemes exclusively for SCs/STs. The Committee hope that such a step would definitely help ensure the banks in achieving their stipulated targets and thereby achieving the goal of economic development of these classes.

25.	3.22	The Committee observe that the Differential Rate of Interest (DRI) scheme available for the poorest of the poor living in rural, semi-urban and urban areas is losing popularity. The Committee feel that it is not because of the availability of other much attractive schemes but due to the very low limit of loan available under the scheme. The Committee also observe that the proposal for enhancing the ceiling of Rs. 6500/- under DRI scheme has been turned down on being a subsidised scheme, providing loan on concessional interest rate and due to high costs involved in servicing loans. The Committee understand that DRI scheme introduced in 1972 is the only scheme which extends loan at concessional interest rate to the weaker sections whereas all the other schemes provide loan as per guidelines and prime lending rate. Moreover, no distinction is made by both public and private sector banks in charging interest from general classes and weaker sections including SCs/STs. It is, therefore, of utmost importance that RBI should rejuvenate DRI scheme by increasing the loan amount to at least the current realistic level since it is one of the most viable schemes having great acceptance among the poorest of the poor.
26.	3.23	The Committee are impressed that the number of SCs/STs assisted under the DRI has surpassed the percentage specified for the SCs/STs. They are however, concerned with the falling number of accounts under the scheme. The Committee are also not able to understand the logic for maintaining outstanding amount instead of actuals relating to amounts sanctioned and disbursed under the scheme during a particular year while it has been stated at para 2.15 that in respect of government sponsored schemes the same format has been specified. The Committee recommend that the Reserve Bank of India should instruct banks to maintain figures of actual loans sanctioned and disbursed under DRI scheme during a year so that it could become easy to assess the actual performance while evaluating the scheme.

27. 3.24 The Committee note that the SGSY scheme for the rural poor living below poverty line though has a reservation of 50% for SCs/STs, it has not even crossed the 26% mark during the last 4 years. The Committee note lack of coordination between banks and Government sponsoring agencies. The Committee feel that unless the below poverty line rural SC/ST families are covered properly, no substantial progress can be made in visualising the desired goal of economic development of these classes. The Committee, therefore, desire that a more coordinated approach needs to be adopted for achieving the percentage specified for SCs/STs under this scheme.

28. 3.25 The Committee observe that the figures provided under SJSRY for the last 4 years depict a steady and impressive progress in the number of accounts and the loan sanctioned under the scheme for SCs/STs. The Committee, however, have not been able to understand the logic behind the difference evident between the loans sanctioned and the actual amounts disbursed to the SCs/STs. The average shortfall between the loans sanctioned and the actual amounts disbursed is around 18%. The Committee, therefore, desire that this difference should be removed and the sanctioned amount should be released at the earliest.

29. 3.26 The Committee note that the average shortfall between the loans sanctioned and the amount disbursed under PMRY is as high as 26%. Furthermore, considerable slump has been noticed in the actual loans disbursed to the total amount sanctioned during 2004-05, which comes to around 40%. The Committee, therefore, desire that the gap between the amounts sanctioned and the actual loans disbursed should be removed.

30. 3.27 The Committee find the figures under scheme of Liberation and Rehabilitation of Scavengers (SLRS) are not at all impressive. There has been constant and sharp decline in the number of SCs/STs benefitted and the loans sanctioned. The Committee also do not understand the phenomenon behind the sharp

		decline in the number of SC/ST benefitted during 2003-04 as compared to the year 2002-03. The Committee, desire that reasons, behind abnormal slump should be examined and the different coordinating agencies should aim at arresting the decline trend in this regard. The Committee desire that the Schemes for Rehabilitation of Scavengers should be re-examined so that these can really achieve their purpose.
31.	3.28	The Committee note that studies conducted under SGSY, SJSRY have revealed that non-completion of formalities by borrowers, lack of awareness both among the beneficiaries and the officials of sponsoring agencies coupled with inadequate number of applications are the major factors hampering effective implementation of the schemes. The Committee are deeply concerned to note that the different implementing agencies have not been able to remove these bottlenecks. The Committee are of the considered view that until and unless responsibilities are fixed among various functionaries, the implementation of the schemes would continue to be hampered. The Committee, therefore, recommend that the bank officials and officials of other agencies be given specific responsibilities to remove these bottlenecks to improve results.
32.	3.29	The Committee find that the Reserve Bank of India has not undertaken any evaluation study to assess the economic conditions of SCs/STs before and after inception of poverty alleviation programmes. However, other studies have revealed that lack of proper training and guidance have led to pursuing unviable economic activities by beneficiaries. The Committee also note that SGSY study conducted in 1999-2000 has established that income generated was utilized in food and clothing by beneficiaries. The Committee feel that if a study is conducted to assess the impact of the schemes of SCs/STs more glaring findings would come to light. The Committee, therefore, recommend that an exclusive study should be undertaken to find the change in the condition of SCs/STs so that the findings could be used to plug the

shortcomings and to introduce more viable schemes commensurate with the needs of the SCs/STs.

33. 3.30 The Committee appreciate the efforts made by Reserve Bank of India in plugging the loopholes in effective implementation of various schemes by banks. The Committee, however, are distressed at high number of discrepancies observed during study conducted despite clear guidelines issued by Reserve Bank of India from time to time. The Committee wonder as to why the banks are not following the guidelines properly. The Committee, therefore, recommend that Ministry of Finance should issue instructions for fixing of responsibility on bank officials and the Reserve Bank of India should consider imposing penalties on banks which do not abide by the guidelines.

34. 3.31 The Committee note that the Reserve Bank of India has a vital role to play in the flow of credit to the SCs/STs since it frames the guidelines and monitors the performance of banks. The Committee, further note that representatives of RBI are Members of the District Consultative Committees/District Level Review Committees set up to review the progress of Government sponsored schemes. The RBI is also represented at the highest level in the quarterly meetings of State Level Bankers' Committees. Despite their importance and presence in various Committees for reviewing the progress of schemes, RBI has not been able to persuade banks to reach the optimal limit in credit lending to weaker sections. The Committee are surprised to find that even the measures suggested by RBI have not been actually followed by banks. This is evident from their own studies which established various discrepancies that were prevalent in banks. Non-realisation of the targets set for the scheduled commercial banks could be that the Rural Planning and Credit Department in the RBI has failed to effectively monitor the performance of various schemes and suggest subsequent remedial measures. The

		Committee recommend that RBI should strengthen their monitoring system so that the banks improve lending to weaker sections especially SCs/STs. The Committee also advise RBI to lay norms so that exploitation of SC/ST beneficiaries during sanctioning and disbursal of loans is totally removed.
35.	3.32	The Committee are dismayed by the fact that the circular issued by RBI to have public representatives in the District Level Review Committee has been ineffective as the Members of Parliament were not being invited to meetings of such Committees or the convenience of Members of Parliament to attend such meetings was not sought. Attendance of public representatives especially of Members of Parliament could help banks in popularising and proper implementation of schemes. The Committee, therefore, recommend that before fixing the meetings of the District Level Review Committees, the convenience of Members of Parliament of the area should be sought and their presence in such meetings should also be ensured by the Convener. The Lead District Officers of the Regional Offices of RBI can also play a positive role in this regard.
36.	4.9	The Committee note with concern that the efforts made by the Reserve Bank of India in the form of advisories/instructions to banks for creating awareness among SC/ST beneficiaries about availability of the credit schemes has not been able to generate the desired level of awareness amongst the beneficiaries. The Committee are surprised that on one hand the Reserve Bank of India has advised banks over the importance of field staff of Banks to contact such borrowers and explain them the salient features of schemes available whereas the representative of the Ministry of Finance during evidence submitted that the banks can not take extension work owing to manpower limitations. Similar observation was also of the Governor, RBI when he stated that a lot more is needed to be done for creating greater awareness but at the same time he expressed the limitation of structural constraints. The Committee desire

		that the RBI and the Ministry of Finance should evolve a joint strategy to make use of the manpower and facilities of the State Governments more effectively if the field staff of banks are not available to contact SC/ST borrowers and explain them about the salient features of the schemes and advantages thereof. The Committee are happy that circulars for aggressive campaigns to publicise the schemes through electronic and print media, rural melas, farmers club have already been issued by RBI. The Committee would, therefore, like all banks to undertake such exercise seriously and regularly.
37.	4.10	The Committee further recommend that highly proficient and professional public relation experts should be deputed to prepare specialized brochures on the kind of facilities that are available and the kinds of frequently asked questions and answers to them in local languages apart from Hindi and English. As regards the level at which such campaigns should be undertaken, the Reserve Bank of India should come up with an effective suggestion.
38.	4.11	The Committee note that the Reserve Bank of India conducts training programmes for Bank Officers in its training institutes. The Committee further note that banks have been instructed to circulate instruction of RBI/NABARD for compliance. The Committee, however, observe that the findings of studies undertaken by RBI have established the ignorance of the concerned staff about guidelines/instructions. The Committee feel that efforts of RBI may not bear fruit if all the bank staff associated with the process of credit lending to SCs/STs are not imparted training about the schemes and the steps to be undertaken to improve lending. The Committee, therefore, recommend that Reserve Bank of India should advise the banks to select competent officers/staff for facilitating lending to SCs/STs and nominate them for specialised training in the RBI run institutes.

39.	4.12	The Committee are happy to note that some banks have undertaken special self employment training programmes for the unemployed youth from the rural and semi-urban backgrounds so as to enable them to take advantage of the credit facilities available and establish themselves. The Committee recommend that the Reserve Bank of India should advise all the remaining scheduled Commercial Banks to establish such training facilities and see that more and more SCs/STs are imparted effective training.